



RESOURCE GUIDE

New York State
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section
5A

finance

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finance

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introduction

This section of the NYS PTA Resource Guide has been adapted from the National PTA Money Matters Quick-Reference Guide 2012. Additions have been made based on New York State laws and regulations as well as NYS PTA policy and procedure. Many other additions have been made based on the input of PTA members throughout New York. Please refer to the www.nyspta.org web site for additional information, sample document templates, and an expanded Frequently Asked Question (FAQ) section.

welcome to PTA leadership!

Your role as PTA treasurer carries a good deal of responsibility, but it is also a wonderful position to have. You are about to embark upon an enriching, challenging and fulfilling opportunity to help carry out PTA's mission for your community's school and children.

New York State PTA and National PTA have created this guide to help orient you to your major areas of responsibility. It will help you gain a basic understanding of important concepts and familiarize you with resources that are available to you from the national association. This guide supplements—but does not replace—the materials you receive from New York State PTA.

In addition, these instructions are intended to help clarify Generally Accepted Accounting Principles (GAAP), the standard framework of guidelines for financial accounting, and tax requirements of governing bodies, most notably the U.S. Internal Revenue Service (IRS). They are not intended to replace those instructions. If you have questions or need additional assistance, please contact your region director, region treasurer or the New York State PTA treasurer, treasurer@nyspta.org.

overview

purpose and responsibilities of the treasurer

The treasurer is the authorized custodian, elected by the members, of the funds of the PTA association. It is the treasurer who ensures that the unit finances are properly handled.

This is a critical job, since proper handling of the unit's money will keep the unit in good standing, as well as maintain its credibility with the school and the community.

It is imperative that the treasurer maintain accurate records. Without good records, individuals involved with collecting and handling the PTA's funds will not be protected should any questions arise. Standard, accepted financial procedures must be used when keeping records, so that proper audits can be conducted.

The ideal candidate for treasurer should have:

- Strong organizational skills
- A background in accounting practices and procedures
- Knowledge of volunteer management and not-for-profit accounting
- In-depth knowledge of PTA and its mission and objectives

first steps

Your initial tasks as treasurer include:

- Make sure that the books have been audited before accepting them.

- Verify the completeness of files and records received, including the permanent records from the retiring treasurer. Ask about missing records at once.
- Become familiar with the duties outlined and any references to finances and budget in the PTA bylaws and procedures.
- Secure the signatures of new officers authorized to sign checks, and filing the signature cards with the bank, if not taken care of by the outgoing treasurer.
- Study the PTA Money Matters Quick-Reference Guide.

building a finance committee

The finance committee works to make sure the association is in good financial health, that its assets are protected, and that its resources are used appropriately.

Working with other PTA and community members to build a strong unit and to achieve goals can be a source of pride for members of the finance committee. Look for potential committee members everywhere, and make sure the committee represents the entire school community.

Potential members may include local, council or region PTA members and leaders with expertise in the financial area. Also seek PTA members with the requisite experience to write grants, assist with sponsorships, help raise funds, and serve as consultants to the committee.

duties of the treasurer

- Keep up-to-date on not-for-profit financial issues by reading relevant materials and pursuing appropriate training.
- Chair the finance committee (if required in the bylaws).
- Assist in developing the budget.
- Manage the funds of the unit. Keep an accurate and detailed account, in the treasurer's permanent book, of all monies received and paid out.
- Submit a report at regular meetings of the association. The report should include the total balance on hand at the beginning of the month covered by the report, the separate amounts received and credited to the general fund, the state and national portions of dues, the special funds (if the association carries any special funds such as a scholarship or endowment), other receipts, itemized disbursements, the balance on hand in each fund, and the total balance on hand at the end of the month. Be prepared to answer all questions promptly, and have the records available at the meeting for reporting and reconciliation.
- Receive all monies for all accounts – local, state and national per capita dues, gifts, etc.
- Receipts should always be issued for amounts of cash received.
- Deposit all monies in the PTA's bank account as soon as possible in the name of "{unit name}

Parent Teacher Association, {your name}, Treasurer." Night deposits and 24-hour banking can and should be used as needed.

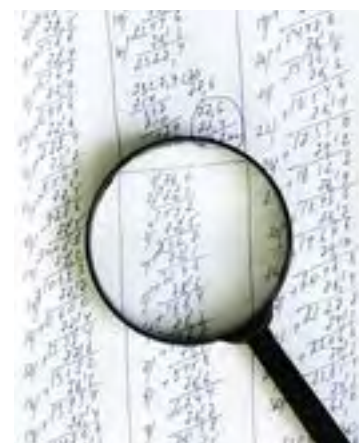
- **Monies should never be kept at the treasurer's home. Association funds should not be deposited in the personal account of the treasurer, nor should they be deposited in the school activity account.**
- Pay by check or unit credit card or bill pay all bills as authorized. **Two signatures are required on all PTA checks.**
 - The procedure for authorizing disbursement and the established authorizing parties – the president, board/executive committee – should be spelled out in the association bylaws and/or procedures. **All bills must be paid by check or unit credit card or bill pay – never by cash.** As a general rule, purchases should not be made without written authorization. Checks must be signed by two people, usually the president and the treasurer.
- Individuals authorized to sign checks should not be related to each other by marriage or any other relationship. **Never sign a blank check or a check made out to "cash."**
- Both PTA Co-Presidents may be authorized check signatories.
- Keep the record of the national and state portions of membership dues and all other national and state monies separate from the record of the general funds of the local PTA.
- Forward to the state PTA – through the channels and at the

times designated in the state bylaws – the state and national portions of membership dues, together with all other monies that belong to the state and National PTA. Each remittance should be accompanied by a statement showing the name and unit code of the PTA and the number of PTA members being paid for.

- Cooperate with the membership chair and the secretary in keeping an accurate list of the PTA membership.
- Preserve all check requests, receipts, bank statements and canceled checks, and submit all of these to the auditor or audit committee in preparation for the annual audit. Arrange for the annual audit.
- Prepare for the treasurer's successor all books, papers and correspondence pertaining to the office of treasurer, including the audited books, approved and paid bills, canceled checks, plans and procedures. Transfer all materials to the incoming treasurer in a timely manner.
- Keep canceled checks, paid bills, etc., for seven years. This procedure provides the PTA with sufficient background documents and material should any questions arise.

continued on page 4

TIP:
See page 5
for a
full list of records
retention guidelines.



duties, con't.

Note: All PTA monies and other assets, including checking accounts, savings accounts, and certificates of deposit, are the property of the PTA.

handling of money by other members

Occasionally it may be necessary for other members to handle PTA money, such as dues from membership enrollment or returns from a fundraising project. Two people should always count the money, and both should sign the receipt verifying the amount. All monies collected should be given to the treasurer without delay.



continued on page 6

treasurer's calendar

- Review Unit Resources Procedures
- New Treasurer takes over – July 1
- New Signature Cards – July
- First membership payment by October 31
- File taxes: 990-N or 990-EZ by November 15
- Treasurer's Reports – Monthly
- Reconcile accounts – Monthly
- Process vouchers, make deposits, pay bills – ongoing
- Monitor expenditures, recommend budget changes
- Pay insurance bill – April/May
- Budget Development – May/June
- Prepare Annual Report – June
- Audit PTA records/accounts – June

contents of the treasurer's file

- A copy of the PTA bylaws and standing rules, with sections authorizing disbursements marked
- A copy of the budget adopted by the association
- Receipt book to acknowledge money received by the treasurer
- Checkbook to disburse funds as authorized
- PTA credit card and statements (if applicable)
- Deposit-only debit card (if applicable)
- Treasurer's account book in which to keep the financial records of the association (may be an electronic file)
- Permanent Internal Revenue Service (IRS) tax information, including the following:
 - IRS determination letter of tax-exempt status and copy of application for tax-exempt status (**see "Determination Letter," page 29**)
 - Federal Employer Identification Number (FEIN), also known as EIN (Employer Identification Number)
- Copies of filed Form 990/990-EZ, 990-N, 990-T, or other required IRS forms
- Group exemption number (1258)
- Permanent state tax information, such as state sales tax correspondence, state identification numbers, and reports filed with the state, as required
- Copy of the NYS Sales Tax Exempt Certificate ST-119.1
- An up-to-date roster of the members of the association
- A copy of this *NYS PTA Resource Guide* and a completed copy of the financial management checklist (**see page 45**)
- Audit reports held in permanent file
- Seven years of cash receipts and petty cash records, bank deposits, invoices and statements
- General correspondence
- Three years of budgets
- Copies of meeting minutes and monthly treasurer reports

records retention

It is very important that certain records be retained. It helps to develop a records retention policy. Listed on this page are items that should be reviewed on a periodic basis and kept in a safe place.

records to be retained retention period

Accounts payable records	7 years
Annual audit reports	Permanently
Bank reconciliations.....	1 year
Bylaws, including all amendments	Permanently
Cash receipt records	7 years
Checks (canceled) (see exception, next line)	7 years
Checks (canceled) for important payments, i.e., taxes, special contracts, etc. (checks should be filed with the papers pertaining to the transaction)	Permanently
Contracts and leases (expired)	7 years
Contracts and leases still in effect.....	Permanently
Corporation reports filed with the secretary of state	Permanently
Correspondence with customers or vendors	1 year
Correspondence (general)	3 years
Correspondence (legal)	Permanently
Duplicate deposit slips	1 year
Employee records (post-termination), if applicable	3 years
Employment applications, if applicable	3 years
Equipment owned by PTA	Permanently
Financial statements (year-end) and budgets	10 years
Grant award letters of agreement	10 years
Insurance records, accident reports, claims, policies, certificates	Permanently
Inventories (products and materials).....	7 years
Invoices	7 years
Journals	Permanently
Minute books of directors and committees	Permanently
PTA charter	Permanently
Petty cash vouchers	3 years
Purchase orders	7 years
Record retention policy	Permanently
Sales records	7 years
Standing rules (current)	Permanently
Tax-exempt status documents	Permanently
Application for tax exemption (federal and state)	
Letter of determination (recognition) of tax-exempt status (federal and state)	
Group tax exemption documents, if applicable	
Letter assigning IRS Employee Identification Number (EIN)	
Form 990/990-EZ and Schedule A, and/or Form 990-N (e-Postcard) as filed with IRS	
Form 990-T, if applicable, for unrelated business income	
Correspondence with IRS	
State tax forms filed, if any	
Other information returns filed with the government	
Charitable Solicitation Registration, if applicable	
Trademark registrations	Permanently
Vouchers for payments to vendors, officers, etc. (includes allowances and reimbursements to officers, members, etc., for travel and other expenses)	7 years

duties, con't.

treasurer's written report

The PTA bylaws should provide that the treasurer report regularly to the association. The treasurer's written report should indicate what period of the fiscal year the report covers, the date it was prepared, and who prepared it. **(See a sample monthly treasurer's report on page 8.)** The report should not be adopted, but filed in the treasurer's file.

These reports should be given to the auditor or auditing committee during the auditing process. The auditing committee should report to the association at such times as the bylaws require. Usually, an audit occurs annually at the end of the fiscal year and before a new treasurer takes office.

treasurer's annual report

At the close of the PTA's fiscal year, the treasurer should close the financial records and prepare an annual financial report covering the entire fiscal year. The treasurer should give a preliminary annual report to the membership at the annual meeting. This report is for information only and is not officially adopted; the report becomes official after the audit has been completed and the audit report is officially adopted by the membership. Thus, the adoption of the audit report will be done at the first business meeting of the new fiscal year. The bylaws should provide how the audit is to be made. **(See the PTA bylaws for procedure, or note the procedure outlined under "Financial Review Procedure," page 16.)**

The treasurer's annual report and the audit report are filed with the permanent financial records after the association has formally adopted the audit report. It is strongly recommended that a financial management checklist be filed with the annual financial reports. A sample annual report is provided on the following page as a guideline for local, council and region PTAs.

The treasurer's annual report and the audit report are filed with the secretary's minutes after the association has formally adopted the audit report.



sample annual report

Fiscal Year _____ Date prepared _____

Local PTA Name/Unit Code _____

City _____

IRS Number (FEIN) _____

Region and Council _____

actual receipts

Membership Dues (850 members at \$3.00—local portion only)	\$2,550
Fundraising (total gross income)	3,300
(or any means used for making money)	
Sponsorships	1,000
Balance Brought Forward from Previous Year	550
total receipts.....	\$7,400

actual expenditures

Leadership Development	\$1,200
Membership Promotion	530
Programs	850
Reflections	420
District/Council Conferences	300
State PTA and National PTA Conventions.....	500
Newsletter and Publicity	185
Bulletins/Our Children	200
Officers' Reimbursement (telephone, tolls, stamps, etc.)	180
Chair's Reimbursement (telephone, tolls, stamps, etc.)	150
Past President's Pin	40
Council Dues	50
Scholarship	200
Bonding/Liability Insurance	300
Supplies.....	150
Mailing Permit	60
Postage.....	375
total expenditures	\$5,690
Amount Remaining for Next Year	\$1,710

receipts not belonging to local PTA

State and National PTA Dues (850 members at \$4.00)	\$3,400
Founders Day Gift.....	50
TOTAL.....	\$3,450

disbursement of monies not belonging to local PTA

Dues sent to state PTA office (850 members @ \$4.00)	\$3,400
Founders Day Gift sent	50
total	\$3,450

(The annual report should be sent to the appropriate PTA office at the end of the fiscal year, if required.)

sample monthly treasurer's report

PTA

balance on hand: 1/31/20__\$2,750.01

Unit Code: _____

income.....	actual monthly	actual YTD	budget	variance
1. Local Membership Dues (50 @ \$6*).....	300.00	1,600.00	2,000.00	(400.00)
2. Investment (CD @ Bank on \$2,500)	8.33	83.33	100.00	(16.67)
3. Donations from PTA Parents	1,000.00	1,000.00	—	1,000.00
4. Fundraising Projects				
Carnival	50.00	1,700.00	1,500.00	200.00
Book Sale.....	100.00	456.14	600.00	(143.86)
5. Corporate Sponsorship	0.00	1,000.00	1,000.00	—
total income	\$1,458.33	\$5,839.47	\$5,200.00	\$639.47

expenses

1. Administration				
Supplies	25.00	155.00	200.00	45.00
Past President's Pin	25.00	25.00	50.00	25.00
Printing	0.00	100.00	100.00	—
Mailing Permit/Postage	15.00	700.00	750.00	50.00
Insurance	0.00	255.00	255.00	—
2. Leadership Education				
Council Conferences	10.00	170.00	200.00	30.00
State PTA Convention/ National PTA Convention	0.00	445.00	500.00	55.00
3. Committees				
Membership	20.00	205.00	300.00	95.00
Programs	20.00	276.18	300.00	23.82
4. Volunteer Recognition				
Awards (3).....	0.00	0.00	50.00	50.00
Special Appreciation Awards	0.00	0.00	50.00	50.00
5. Projects				
Carnival	0.00	251.63	300.00	48.37
Book Sale.....	0.00	125.00	200.00	75.00
Reflections	0.00	185.00	245.00	60.00
Parent Involvement	0.00	356.00	300.00	(56.00)
Student Enrichment Grants	0.00	275.00	300.00	25.00
Self-Esteem Program	0.00	179.00	190.00	11.00
Reading Scholarships	0.00	185.00	200.00	15.00
total expenses	\$155.00	\$4,278.81	\$5,040.00	\$767.19
balance on hand: 2/28/20__ ..	\$4,203.34			

(State and national portions of dues collected and remitted to state: \$200.00. Founders Day donations: \$300.)

*Our annual membership fee is \$10.00.

State	50 @ 1.75	=	87.50
National	50 @ 2.25	=	112.50
Total			\$200.00

Submitted by _____, Treasurer

final steps before leaving office checklist

- Making sure that all state and national portions of dues have been collected and forwarded to the state PTA office.
- Balancing the books to prepare for the audit.
- Making sure that the PTA's books agree with the bank balance and outstanding checks, plus cash on hand.
- Preparing the annual report covering the term of office.
- Submitting IRS Form 990, 990-EZ, 990-N, 990-T, or other IRS forms if required.
- Arranging for the transfer of all records, reports and files to the new treasurer. Obtaining and filing new signature cards with the bank, so that the new treasurer will be authorized to sign checks without delay.
- Making sure that the insurance payment for the next school year has been sent in.



dues

The dues for PTA include the state portion, established by the state PTA bylaws, the national portion, established by the voting body at National PTA Convention, and the local portion, established by the local PTA bylaws. An individual who pays dues to a local PTA automatically becomes a member of the state and national PTAs.

The local treasurer works with the membership chair to forward the state and national portions of the per-capita dues, the number of members, and the identification of the local PTA.

As directed by the state PTA, the state and national portions of the dues shall be forwarded to the state office without requiring specific authorization by the association. State PTAs must submit dues to the National PTA headquarters on a monthly basis. New York State PTA requires local PTAs to forward dues payments monthly. **The treasurer records these amounts in the local treasurer's book. The state and national portions of dues do not belong to the local PTA and are never recorded as part of the local PTA's income, but they should be recorded as**

accounts payable within your financial records.

Because each PTA has a unique set of activities that are different from the activities of every other PTA, people belonging to more than one PTA pay dues to each local PTA of which they are members.

The state and national levels of PTA provide several services that benefit every local PTA. These services – including national child advocacy and government relations, leadership development, program planning and execution, and resource development – all incur costs that are largely borne by a small portion of the local membership dues. Every local PTA contributes its share for these expenses.

Since the PTA is an independent, private association, all monies raised from the local per-capita portion of dues and through additional efforts and other assets, including checking accounts, savings accounts and certificates of deposit, are the property of the local PTA.

IMPORTANT: Bring a copy of the minutes showing the election of new officers to the bank when updating signature cards. Be sure the minutes reflect the names of outgoing officers so those people may be removed. Check with your bank ahead of time to see what ID is required.

budget

overview

The budget is an outline of estimated income and expenses for the year. A finance or budget committee usually has the responsibility of developing a budget for the PTA. This committee may be elected or appointed according to the PTA bylaws and usually consists of three to five members, one of whom is the treasurer, who may act as chair.

developing the budget

Effective budgeting includes consideration of the PTA's stated goals and planned activities, as well as the financial needs to achieve these.

The committee should study the previous year's budget and treasurer's reports to determine how well that budget met the organization's needs. Next, members should determine the projected financial requirements, taking into consideration the funds needed for the approved programs, projects and leadership development. They should determine the sources of funds to meet these requirements.

From this information, the committee then develops the annual budget. The budget should show the allocated expenditures for the year's activities, as well as the funds on hand and the anticipated receipts. Expenditures should equal receipts. Budgets cover a one-year period. How the year is defined should be determined in the PTA bylaws.

approving the budget

After the budget has been drafted, the budget committee chair should present it to the PTA board/executive committee for

consideration and then to the PTA membership for approval. This presentation is made during the organization's general meeting where a quorum is determined to be present. A majority vote of the members present and voting is required for adoption.

The budget is presented item by item to allow for discussion and amendment of each section. Funds should not be spent until the budget is approved.

At each regular meeting of the board/executive committee throughout the year, present a statement showing how the amounts expended to date compare with corresponding items in the approved budget.

The budget committee should also seek approval of a plan to provide for sufficient funds in the budget to enable the association to carry on its program during the summer and prior to the start of membership enrollment in the fall.



amending the budget

Since the budget is only an estimate of the planned expenditures for the year, it may be necessary, from time to time, to amend it. When there are additional expenses or a change in an allocated expenditure, the budget may be amended by a vote of the association at any regular meeting or at a special meeting called for that purpose. To amend budget items previously adopted, it is necessary to have a two-thirds vote, or if previous notice has been given, a majority vote.

approval of expenditures

The adoption of the budget authorizes the treasurer to pay for routine expenses covered in the budget only if such authority is given to the treasurer in the local PTA bylaws. If the local PTA bylaws do not provide this authority, the treasurer shall pay bills upon presentation of properly signed vouchers, as required in the state bylaws.

All expenditures must be reported to the board/executive committee and included in the treasurer's regular financial report to the membership. Any additional expenditure not provided for in the budget must be approved by the membership. The regular financial report should be attached to the minutes of the meeting at which it is presented. Changes in the budget, whether in income or expenditures, must be presented as amendments to the budget.

sample budget

_____ PTA
fiscal year _____

anticipated revenue based on 800 members

receipts

Membership Dues (800 Members at \$3.00—local portion only)	\$2,400
Fundraising (or any means used for making money)	
Fall Festival	2,600
Local Corporate Sponsors.....	950
Balance Brought Forward from Previous Year	550
total receipts	\$6,500

expenditures

Leadership Development	\$1,500
Membership Promotion	700
Programs	1,000
Reflections	500
District/Council Conferences.....	300
State PTA and National PTA Conventions.....	500
Newsletter and Publicity	200
Bulletins/Our Children.....	200
Officers' Reimbursement (telephone, tolls, stamps, etc.)	200
Chair's Reimbursement (telephone, tolls, stamps, etc.).....	150
Past President's Pin	40
Council Dues.....	50
Scholarship.....	200
Bonding/Liability Insurance	300
Supplies	200
Mailing Permit	60
Postage	400
total expenditures	\$6,500

(Leave a balance of sufficient funds to get the new PTA year off to a good start. Monies will be needed for workshops, state conventions, etc.)

total..... \$6,500

Adopted by Association _____ (date)

banking

bank accounts

All PTAs having bank accounts are required to provide the bank with an IRS Employer Identification Number (EIN). (Do not use any individual's Social Security number.) The EIN (or FEIN) is assigned to a PTA unit during the chartering process when the unit is created. When chartering, the unit fills out the SS-4 form and sends it to NYS PTA. NYS PTA then coordinates the submission of the form to the IRS. This is done so the each new PTA unit falls under the NYS PTA 501(c)(3) tax exempt umbrella status. The PTA unit's EIN/FEIN can be found on page one of the unit bylaws.

savings accounts

In planning the budget, it is not uncommon for PTAs to have small contingency savings accounts for the following reasons:

- Efficient management of funds (funds earn interest until they are expended)
- Reserve to carry on programs during the summer and fall until dues are collected
- Monies to finance unexpected but approved projects or programs

emergency reserve fund

The emergency reserve fund is considered an integral part of each PTA's planning and budgeting process. The emergency reserve fund is intended to serve as a means to retain financial stability in the event of an unforeseen development such as unplanned expenses arising from a project or an unexpected increase in inflation.

As a rule, a healthy reserve is between one-half to one year's average expenditures.

handling fundraising receipts and expenditures

When a PTA is planning a fundraising activity that will involve large amounts of money, the treasurer should arrange to deposit the money in the bank as soon after the conclusion of the project as possible. The chair of the activity should be responsible for seeing that the treasurer receives all revenue immediately after completion of the activity. The treasurer and another person should count the monies received, and both should sign a statement verifying the amount. A receipt should be given to the chair for the entire amount. Even if the project is a continuing one, the money should

be deposited daily in the PTA's bank account.

Night deposits and 24-hour banking can and should be used as needed. When necessary, the treasurer should contact local police authorities beforehand and ask for an escort to the bank. If the treasurer contacts the bank about the night deposit in advance, the treasurer will be given a lock bag to place in the night depository. Never deposit any money in anyone's personal account or in the school account, and never leave the money in the school building or in someone's home.

Some banks will also give PTAs a "Deposit Only" ATM card. This is an option in place of the night deposit bag. For additional information about using "Deposit Only" cards, visit: www.ptakit.org/Finance/Electronic-Commerce/Use-of-ATM-Debit-Gift-or-Deposit-Only-Cards.aspx.

All checks that are to be deposited should be marked **"For Deposit Only to the {unit name} PTA, Account # _____"** and signed by the treasurer with his or her title. A stamp with this information may be secured at the time the account is opened. Duplicate deposit slips should be made so that the treasurer will have a copy to retain for the record.

Event chairs and at least one other member should count the monies received together before giving it to the treasurer for deposit.



banking, con't.

To keep accurate records, the treasurer should be given itemized bills, sales slips, etc., from the fundraising activity to pay by check. **These expenses should never be paid with the cash from the activity.**

Within a few days of the conclusion of the activity, the treasurer or fundraising chair should complete a detailed report of all receipts and expenditures and the profit from the project. That report should be presented to the board/executive committee and the membership at the meeting following the activity.

check request (voucher) system

A PTA may use a general check request (voucher) system for its expenditures. The check request should include the following information: date, brief description, amount to be paid, and budget line item(s), with the signature of the president authorizing payment. A check request, with receipts attached, should be prepared for each check to be written.

After the check is generated, either enter the check number on the check request or attach a check stub. The invoice should be stamped “paid.” Only original invoices should be approved for payment.

These records will then be available to assist the audit committee in the completion of its work at the end of the PTA fiscal year.



electronic banking

PTAs are interested in using various forms of electronic banking such as online statements, electronic deposits and bill-pay. Banks continue to add/increase fees for all accounts, including those for nonprofits. They may offer reduced or eliminated fees if account holders switch to online services. First – online (paperless) statements – go for it. Save the fees. Make sure you modify your PTA procedures to have statements printed for monthly reconciliation. You may also not automatically get front and back copies of canceled checks, or you may have to get them one at a time if needed. Be sure to check how long the statements are available online.

Second – electronic deposits and bill-pay – these are a little

harder. National PTA is currently developing guidelines and we at New York State PTA are researching procedural options that will provide the checks and balances/protections units have through the dual-signature process. For additional information about using online banking, refer to the National PTA Back to School Kit, Finance section at ptakit.org.

ATM cards

New York State and National PTA continue to recommend that PTAs do not use ATM cards for purchases. They are too hard to control. It is like handling cash. PTAs may however obtain “Deposit Only” ATM cards for use in place of night deposit bags. For additional information about using ATM or “Deposit Only” cards,

continued on page 14

PTAs are encouraged to use their New York State sales tax exempt forms (ST.119.1) for all purchases. The New York State sales tax exempt number is on page 1 of your bylaws.

banking, con't.

visit: www.ptakit.org/Finance/Electronic-Commerce/Use-of-ATM-Debit-Gift-or-Deposit-Only-Cards.aspx.

credit cards – is your unit ready?

When we are ready to send our kids off to college, we have the discussion about the responsibility and management of a credit card. We give them a card for emergencies like running out of gas or car repairs (Dorm pizza parties are not!). Having the card helps teach the student money management and helps them on the path toward building a good credit history. The new card has a very low limit to reduce risk – to the student and the credit card company. Many students get a card with only a \$500 initial limit.

Many units have asked about the use of credit cards for PTA. Most retailers will not accept the New York State Tax-Exempt form unless the PTA name is on the check or credit card being used (they do not have to). With today's busy schedules, it is getting harder and harder to get two officers with check signing ability to do all of the purchasing for all unit activities. Some feel it is too hard to ask for an advance, cash the check, and then pay cash when making PTA purchases.

The question – is your PTA ready for a credit card? If you think so, ask the following questions before you start:

- Does your unit have a budget in place?
- Does your unit have good money handling procedures in place (voucher system, two money counters)? Are the procedures written down?

- Are deposits done immediately after money is collected at events?
- Are there always two signatures on all PTA checks?
- Does the unit treasurer provide regular reports at meetings?
- Are the treasurer reports and bank statements reconciled by non-check signers?
- Was a 990-N or 990-EZ filed for the unit last year?
- Was an audit committee formed and an audit done on last year's books?
- Can the treasurer produce copies of the current and last year's budget, tax returns and audit reports?

If you answered no to any of the above questions, then you have to ask if your unit has sufficient controls in place to add the risks of using a credit card.

If you answered yes to all of the questions, then you may be ready. Before proceeding:

- Make sure the unit as a whole supports the move to get a credit card; is the unit willing to accept the additional risk? Have a vote.
- Start with a very low credit limit, such as \$500-\$600.
- Make sure you use the unit FEIN when applying, not the SSN of an officer or member.
- Use the address of the school, not the home address of an officer or member.
- Amend your unit procedures to specify how credit card statements are reconciled monthly.
- Like check purchases, pre-approve credit card purchases.
- Like check signers, limit the members designated to use the card.

Lastly, a reminder that the PTA insurance has a \$250 deductible for any claims for financial loss related to mismanagement of funds. This is for cash, checking account or credit cards.

For additional information about credit cards, visit: www.ptakit.org/Finance/Electronic-Commerce/Using-Credit-Cards-for-Bill-Payments.aspx.

credit references

New York State PTA does not provide credit references to local PTA units.

PTA funds vs. public monies

Because a PTA is a private association, PTA funds should be deposited only in the PTA account, not in a personal account, a school account, or any other organization's or group's account. All money deposited in a PTA account will be considered PTA funds by the IRS and must be reported as such. A PTA should never deposit school or school-related money (such as clubs or field trips) in its account.

If a PTA sponsors a project or program in cooperation with the school, all funds should be accounted for and separated prior to the immediate deposit of the PTA portion into the PTA bank account.

A PTA is a separate legal entity and not a school organization (SO). It is imperative that this distinction is clear. PTAs do not share their EIN numbers, their NYS Sales Tax Exempt Number, or their banking details with schools, principals or school districts.

the PTA audit

overview

Auditing involves following financial transactions through records to make sure that receipts have been properly accounted for and expenditures made as authorized in the minutes and in conformity with PTA bylaws, standing rules and budget.

PTA bylaws indicate when an audit is to be made, its procedure and when it should be reported to the membership. Record books should be audited at least once a year. Books should also be audited if a financial officer resigns, before the new officer assumes his or her duties, and at any other time deemed necessary.

The process for selecting/electing individuals to serve on the internal audit committee or for retaining a professional firm (with not-for-profit accounting experience) will also be found in the bylaws of the PTA.

the purpose of an audit

The purpose of an audit is to provide reasonable assurance that an organization's financial statements are free of material misstatement and are prepared according to Generally Accepted Accounting Principles (GAAP).

An audit with a "clean" opinion assures the membership that the association's resources/funds are being properly accounted for and managed within the regulations established for their use.

external audit

Three types of services that can be provided by an external professional auditor are described below. PTAs should decide which provides the best information for them and their members, partners,

and business associates for the most reasonable cost. If your PTA chooses to retain a CPA firm for an external audit, ensure that they have experience working with not-for-profit organizations.

preparation for a financial review

For clarification purposes, a financial review represents an internal process performed by two or more members of the financial review committee or their designees. An audit represents an extensive external process performed by a certified public accounting (CPA) firm for a fee.

The first step in the review process should be appointment of a financial review committee. This committee should be made up of members **who do not have signature authority over the bank account or be a relative of a person with signature authority.** Check your local bylaws for any additional requirements. Financial records should be put in order for the financial review – shortly before the end of the term of office or the end of the fiscal year. The outgoing treasurer cannot pay bills after the books are closed for financial review. Upon assuming office, the incoming treasurer may deposit funds in the PTA bank account. It is recommended that during the financial review process, expenditures within an adopted budget be limited to those of an

emergency nature. The financial review should be completed as quickly as possible.

The treasurer shall deliver the following to the reviewer:

- A copy of the last financial review report
- Checkbook and canceled checks (front and back)
- Bank statements and deposit receipts
- Treasurer's book or ledger
- The annual financial report
- Itemized statements and receipts of bills paid
- Check requests
- Copies of board, executive committee, and organization minutes that would include an adopted budget, as well as any amendments that were approved during the year
- Current bylaws
- Copies of unit money handling procedures
- Prior 990 tax filing
- Any other information requested by the financial review committee

financial review procedure

1. Start the financial review with the records posted after the last audit. Check to see if the amount shown on the bank statement corresponds to the starting balance recorded in the checkbook and ledger.
2. Do a sample test of transactions. The size of this sample should be based on the size of the association.

If mistakes are found, the sample should be broadened to take in more transactions. It may be deemed necessary to review all the transactions of a PTA. You should consider retaining the services of an

continued on page 16

See your bylaws for information on forming the audit committee. Authorized check signers may NOT be a part of the audit committee.

the PTA audit, con't.



external auditor if nearly all of the transactions are reviewed due to errors or concerns regarding accuracy.

Some items to look for:

- Monthly bank reconciliation
 - Unexplained reconciled items
 - Unusual endorsements on checks
 - A match of check endorsements to payees
 - Disbursements not supported by invoices or other documentation
 - Blank checks secured in a safe place
 - Deposit ticket dates timely with dates received by bank
 - Timeliness of deposits based on known dates of events
 - All invoices paid by check (with two signatures) or unit credit card and not cash
3. Make certain that state and national portions of the membership dues have been kept separate from other receipts and forwarded to the state office on a monthly basis.
 4. Make certain that money collected for a specific purpose (special projects, gifts, scholarship funds, council dues, etc.) has been so disbursed.
 5. Check the treasurer's reports and annual report for accuracy.
 6. After any errors have been corrected by the treasurer, and the president is satisfied that the financial accounts are correct, sign and date the annual report using a different color ink: "Examined and found correct. (name), (date)."
 7. If all is in order, the financial review committee or auditor should prepare a statement, and the auditor, or each member of the financial review committee, should sign it.
 8. The financial review committee also must submit a report in the event that there are not

A sample statement might read, "The audit committee has examined the records of {unit name} PTA for the period of (time covered) and found them to be correct. Balance on hand: \$____." (signatures of committee)
The committee or reviewer might wish to use the sample financial review form provided on page 19.

adequate records available to conduct a proper accounting of the association's funds.

A sample statement might read, "The financial review committee has examined the records of {unit name} PTA and found that more adequate accounting procedures need to be followed so a more thorough financial review can be given." The financial review committee should indicate the information that is needed.

9. The financial review must be officially adopted by the association and must be included in a completed annual report covering the association's entire fiscal year. If the report states that additional information and verification is needed, the requested information should be provided by the treasurer.
10. If the validity of the financial review is questioned, an independent certified public accountant (CPA) should be engaged. At any time during the process, your council or region PTA may be contacted for information or assistance.
11. If there are any issues with the finances found as a result of the audit, a financial discrepancy report should be filed. **See Insurance, starting on page 59.**

the PTA audit, con't.

sample audit procedures

Step 1: Set Up Working Copy of Audit Report Sheet

- Audit begins on day after date of last audit (**#1 on Audit Report Sheet**).
- Date in **#2** is either:
 - Ending date of last Bank Statement
 - Last date of fiscal year
 - Date of this audit if Treasurer is leaving office.
- Put ending “Balance on Hand” from last audit on sheet at **#3**.

Step 2: Reconcile Bank Statement

One person has the checkbook(s), one person has bank statements, and one person has Expense Vouchers (with receipts attached) and Remittance Forms (with deposit slips attached).

- Take out list of Outstanding Checks from last audit.
- Person with Bank Statements reads off (and checks off) each cleared check number and amount.
 - Person marks check in checkbook.
 - Person checks amount & receipt(s) on Expense Voucher, initials voucher and turns it sideways.
- Someone makes a running list of outstanding check numbers and amounts.
 - On the list from last audit, check off cleared checks.
 - Cross check numbers off new list if they clear in later bank statements.
 - Only list checks written before date in **#2** on sheet.
- Person with checkbook reads off deposit numbers and

amounts, and puts a check mark next to deposit numbers.

- Person checks off on Bank Statement.
- Person checks deposit slips and amounts, initials Remittance Form and turns it sideways.
- Make sure any interest is added in checkbook.
- Make sure any charges (returned checks, fees) are subtracted in checkbook.
- Account for voided checks.
 - If check was subtracted from balance, make sure it is added back somewhere.
- Put Ending Balance from last Bank Statement on “Last Bank Statement Balance” line on sheet at **#8**.
- Add up all outstanding checks and put amount on sheet at **#9**.
- Subtract **#9** from **#8** and put amount at **#10**.
 - **This amount must match amount in checkbook as of ending date of audit!**
 - Note: Be sure to include the interest from the last bank statement.

Step 3: Add Up Receipts and Disbursements

- Person with checkbook begins at last audit line:
 - Receipts:
 - Add up all deposits, interest, voided checks that have been re-entered, and any positive adjustments.
 - Put total on “Receipts” on sheet at **#4**.
 - Add to “Balance on Hand” (**#3**) and put result in “Total” (**#5**).
 - Disbursements:
 - Add up all checks written, bank fees, voided checks (if

amount was subtracted from checkbook balance) and any negative adjustments.

- Put total on “Disbursements” on sheet at **#6**.
- Subtract from “Total” (**#5**) and put result in “Balance on Hand” at **#7**.

Step 4: “Balance on Hand” (**#7**) must equal “Balance in Checking Account” (**#10**)!

Step 5:

- Date of Audit (**#11**) – date of actual Audit Meeting.
- Draw red line under the ending balance in checkbook. Put date of audit and initials or signatures of audit committee members.
- On Audit Report sheet, Chairman signs last line (at **#12**) and other audit committee members sign above.
- Need 3 copies:
 - 1 for Chairman to report at next Region Board meeting.
 - 1 for Region Director.
 - 1 for Secretary.
- Treasurer keeps original and attaches new list of outstanding checks.
 - Rewrite list of outstanding checks, combining both lists (old & new).
 - Put list from last audit back with last Audit Report.

sample audit report

Audit Report of ABC PTA/PTSA

Unit Code 01-088

Audit covering period of **July 1, 2016 (#1)** to **June 30, 2017 (#2)**

Balance on Hand.....	\$5,025.00 (#3)
Receipts.....	\$25,114.53 (#4)
Total	\$30,139.53 (#5)
Disbursements	\$24,941.04 (#6)
*BALANCE ON HAND.....	\$5,198.49 (#7)

Latest Bank Statement Balance \$7,827.04 (#8)

Checks Outstanding:

Check #	Amount
110	\$1,608.55
235	\$1,000.00
296	\$20.00

(More than 3 missing checks SEE ATTACHED)

Total Checks Outstanding.....	\$2,628.55 (#9)
*Balance in Checking Account.....	\$5,198.49(#10)

We the undersigned members of the audit committee, have examined the books of the treasurer of ABC PTA/PTSA and find them to be in order.

(#12)
 Chair

*AMOUNTS MUST MATCH

sample PTA financial review form

local PTA name/unit code _____ date _____

council _____ region _____

Balance on Hand (date of last review)	\$ _____
Receipts (from last review to date of review)	\$ _____
Total Cash	\$ _____
Disbursements (from last audit to date of review)	\$ _____
Balance on Hand (date of review).....	\$ _____
Latest Bank Statement Balance	\$ _____
Checks Outstanding:	
(List check numbers)	(amounts)
Total Checks Outstanding	\$ _____
Balance in Checking Account.....	\$ _____

Date of Auditdate

We have examined the books of the {school name} PTA and find them to be
(please choose one of the following to complete the sentence):

- correct.
- incomplete.
- substantially correct with the following adjustments:

incorrect.

Date review completed _____

Reviewers' signatures _____

(The report should be read by a member of the audit committee or the secretary. The presiding officer should then call for the appropriate action.)

contracts

contracts

In the course of a year, a PTA may enter into a variety of contracts. For instance, a PTA may contract for a band for a dance or purchase supplies for a fundraising venture. The PTA assumes the responsibility to comply with the terms and conditions of the contract and to pay the stated sum. The fact that an activity is not a financial success or that the PTA has insufficient funds to meet its obligation has no effect on the responsibility assumed.

Before you enter into a contract on behalf of your PTA, consider the following:

- Has the membership approved the project?
- Does the president have authorization from the board/executive committee to negotiate a contract?
- Have all contracts been received in writing?
- Are the terms and conditions of the contract understood? Have they been reviewed by legal counsel, if needed, and agreed to by the board/executive committee?
- Is the length of the contract limited to the term of the participating officers, and does it not encumber future boards?
- When entering into a contract, the PTA president is responsible for the agreement and should clearly identify that it is the PTA entering into the contract and not the president as an individual. The signature on a written contract should read, "PTA (or PTSA or council) by: John Doe, President."
- It is preferable to require two signatures on a contract (the president's signature plus another officer's).

CONTRACT TIP:

Remember, if there is any question about the terms or conditions of the contract, the proper time to seek advice is before the contract is signed.

Verbal contracts can also be binding, so be careful when talking with vendors.

New York State PTA strongly recommends that units do not enter into contracts longer than one year.



guidelines from the state PTA attorney in regard to independent contractor status

We understand that many PTA units are concerned that the persons with whom they contract for the performance of various services should be considered Independent Contractors rather than employees of the PTA unit.

First, they are concerned that they not incur the expense required to cover these persons as employees under a Worker's Compensation insurance policy. Corollary to this concern, they naturally do not wish to be subject to double indemnity liability under the Worker's Compensation Laws, in the event of an accident or injury, for failing to cover such persons under a Worker's Compensation insurance policy if it should turn out that they are required to do so.

The second major concern is that the PTA not be subject to liability for the tortious actions

of such person as an employee of PTA. Finally, they do not want the burden, expense and worry of being required to comply with all the many laws affecting an "employment" relationship, including minimum wage and overtime regulations, payment of wage requirements and other State labor statutes, withholding taxes, social security, unemployment compensation, and so forth.

In any event, as the PTA has realized, liability to "servants" under Worker's Compensation Laws, or to third parties for the tortious acts of those "servants," and the other problems attendant upon an employment relationship, are most likely to be avoided if the relationship between the PTA and the "worker" hired is maintained as an Independent Contractor rather than an employer-employee relationship.

independent contractor status, con't.

The principal factors to be considered in determining whether a person is an employee or an Independent Contractor are the extent of the employer's control of the manner and means of performing the work in contrast to the results of the work, the method of payment, the furnishing of equipment, the right to discharge or terminate the services of the person involved, and the "relative nature of the work". This last factor includes the character of the work, the extent to which the worker is engaged in a separate calling, whether the work is continuous or intermittent, the importance of the work to the employer's business, whether the work is of a type intimately related to that which the "employer" is normally engaged, etc.

Other factors relevant to the determination include the execution of a written contract, whether the agreement calls for performance of a specific job or for work in general, whether the worker is employed in an independent occupation or works primarily for



the "employer" in question, and whether the worker has the right to employ substitutes or assistants.

The existence of an agreement designating a worker as an Independent Contractor is not conclusive. For example, in one case, a Worker's Compensation claimant was held to be an employee of a department store rather than an employee of a concessionaire in the store and an Independent Contractor with regard to the store despite (1) a form which specifically disclaimed an employment relationship with the department store and (2) the fact that he was paid in cash directly from the concessionaire's cash register. Despite the disclaimer, the department store had a right to approve the hiring and firing of the concessionaire's workers, could initiate and cause dismissal, established work rules to which the concessionaire's workers were subject, and issued "employee" identification badges to the concessionaire's workers.

A primary, if not decisive, factor is **the extent to which the worker is in fact independent in the performance of his work.** An Independent Contractor may be directed as to things to be done, but is not subject to the control of the employer except as to the product or result of the work. An Independent Contractor retains control over the method and means of performing the work.

In one case, for example, a person was found to be an employee despite the fact that the corporation for which he worked did not withhold income or social security taxes and despite the fact that the worker set his own hours and listed

himself as "self-employed" on his tax returns. He was held to be an employee because he was paid hourly, used his employer's tools, and his assignments and activities on the job were directed and controlled by the employer.

In another case, a delivery man was held to be an employee rather than an Independent Contractor despite the fact that he was primarily employed by a different employer, he furnished his own truck, and was paid for each delivery rather than for his time. The employer in that case directed the employee where to deliver and also provided him a helper at the employer's expense.

By contrast, in a third case, the claimant was engaged in tree trimming and removal work for a number of different municipalities and individuals. He worked under a contract to perform these services for the town at a fixed price and was later engaged to do additional work at a certain price per day. He supplied his own equipment, had one employee, and carried his own liability and Worker's Compensation insurance. The extent of control by the town was limited to specifying the time he should perform his work, which had to be coordinated with the availability of grounds crews employed by the Town for the removal of debris. The Town was held not to be his employer.

In summary, the following general guidelines can be followed to establish an Independent Contractor rather than employer-employee relationship:

- The most important factor is the degree to which the

continued on page 22

independent contractor status, con't.

PTA retains control over the manner and means by which the worker delivers the services for which he is hired. The greater the control exercised by the PTA, the more likely that the relationship will be one of employment.

- One who furnishes his own tools, equipment or job site is more likely to be held an Independent Contractor than one who does not.
- The authority to hire assistants or substitutes to do the work in whole or in part indicates an Independent Contractor relationship. However, if the PTA retains right of approval or right to discharge such assistants or substitutes, this will tend to indicate that the

person hired is an employee and not an Independent Contractor.

- Payment on a time basis is a strong indication of employment status; payment on a completed project basis is indicative of Independent Contractor status. Payment on a piece of work or commission basis is consistent with either status.
- The right to discharge a person or terminate his services at will may also indicate employment status.
- One commentator has noted a tendency to find employment when the work is an integral part of the regular business of the employer, i.e., when the worker, relative to the employer,

does not furnish an independent business or professional service.

In view of the foregoing, attached is a draft of the kind of agreement that might be used by a PTA for the purpose of retaining an individual to perform services as an Independent Contractor.

It must always be remembered that a contract is not conclusive on this issue; regardless of the terms of the contract, the actual facts surrounding the delivery and control of the services will govern the status of the individual as employee or Independent Contractor. Moreover, the enclosed form may be more or less appropriate, depending upon the circumstances and the purposes for which the retainee is hired. Thus,

modifications will be necessary in individual circumstances. Such modifications may enhance or dilute its effectiveness as a tool for maintaining Individual Contractor status.

Note: According to law, anyone earning \$500 or more per year is considered to no longer be a volunteer and is not covered under the Volunteer Protection Act.



independent contractor agreement

This agreement dated _____ by and between the _____ Parent Teacher
 _____ Association, an unincorporated association having its principal office and place of business
 at _____

hereinafter referred to as “PTA,” and _____

An individual residing at _____

A corporation having its principal office and place of business at _____

An unincorporated association having its principal office and place of business at _____

hereinafter referred to as “Contractor,”

(Cross-out and initial the inapplicable phrases)

Witness: _____

Whereas, PTA desires to retain the services of an Independent Contractor to perform certain services which PTA
 itself does not normally perform, to wit:

_____; and

Whereas, Contractor represents that as an Independent Contractor, said Contractor wishes to and has the
 experience and ability to provide the manpower, equipment, and facilities necessary to affect timely and
 effective performance of such services;

Now, therefore, in exchange for the mutual covenants and considerations contained herein and for other goods
 and valuable consideration, it is agreed by and between the parties as follows:

1. **Status of Contractor.** Contractor represents and warrants that as an Independent Contractor, it will provide
 timely and satisfactory performance of the services set forth above, and the manpower, equipment, and
 facilities necessary for such performance. Nothing in this agreement shall be deemed to create an employer-
 employee relationship, partnership, or agency relationship between PTA and Contractor. Nothing herein
 shall be construed to prevent Contractor from performing the services set forth above, or any other services,
 for other persons, forms, or corporations, provided, however, that Contractor continues to be able to and
 does effect timely and satisfactory performance of the service set forth as required by PTA. In the event that
 the Contractor is unable to, or fails to, effect timely and satisfactory performance as required, this contract
 may be canceled by PTA immediately and without the five (5) days’ notice otherwise required by Paragraph
 7 hereof.
2. **Service Fee.** Upon satisfactory completion of the services set forth above, PTA shall pay Contractor the sum
 of \$ _____.

independent contractor agreement, con't.

3. **Other Carriers.** If, in order to accomplish timely and effective performance of the services set forth above, Contractor decides to hire other persons to fulfill its obligations hereunder, Contractor shall at its own expense, recruit, train and assign such person or persons to deliver said services on a timely and effective basis to fulfill Contractor's obligations hereunder. Any such person or persons shall be considered, for all purposes, to be agents, servants, and/or employees of Contractor and shall not be considered, for all purposes, to be agents, servants, and/or employees of PTA. Contractor has sole and exclusive control over any such persons hired by Contractor including but not limited to the number of such persons to be hired and their time and places of performance. Contractor expressly warrants that it will pay all taxes and required contributions and obey all laws relating to its employment of any persons it hires to perform the terms and condition of this agreement.
4. **Compliance with Law.** Contractor expressly warrants that Contractor shall comply with all governmental laws, rules and regulations, including local, state and federal laws, and Contractor agrees to save and hold harmless PTA from any and all claims of liability, including federal, state and local taxes or contributions and unemployment contributions. Contractor shall defend any legal actions against PTA arising out of or related to the activities of Contractor under this agreement. Upon request of PTA, Contractor shall file with PTA a certificate of insurance evidencing public liability and property insurance covering all properties, facilities and persons employed by Contractor, its employees and agents in performing the services set forth herein.
5. **Liability.** Except as provided for in Paragraph 2 above, PTA shall not be liable to Contractor for any expenses incurred by Contractor, or for any act or omission of Contractor, or of any agent, servant and/or employee of Contractor. Contractor shall, at its own expense, provide and pay for any liability or other insurance necessary and appropriate to its performance of the services set forth herein and its obligations and liabilities hereunder. Contractor, as an Independent Contractor, shall have no authority, nor shall any agent, servant and/or employee employed by Contractor, have authority to bind PTA by any promise or representations expressed or implied. PTA shall not be liable to employees, agents or other persons hired by Contractor for any act or commission of PTA or of Contractor.
6. **In-Force Liability Insurance.** Before the execution of this agreement Contractor must attach a Certificate of Insurance, written by an AM Best Rated A insurance company, showing that the contractor has in-force liability insurance with limits of at least \$1,000,000 and naming the PTA unit and the New York State PTA and the school district, if applicable, as Additional Insureds.
7. **Hold Harmless.** Contractor agrees to hold the PTA harmless from any and all liability that arises out of the operations of the Contractor.
8. **Assignment.** Neither this agreement nor any interest therein may be assigned or transferred by Contractor to any other party unless expressly authorized by PTA in writing.
9. **Termination.** Except as provided above in Paragraph 1, this agreement may be terminated upon completion of the services provided or upon five (5) days' written notice by either party to the other party, whichever comes first.

PTA Name: _____ Contractor's Name: _____

By: _____ By: _____

(Signature): _____ (Signature): _____

(Title): _____ (Address): _____

(Date): _____ (Social Security # or EIN #): _____

PTAs and playgrounds

In reviewing the mission and purpose of PTA, the health and welfare of children is mentioned. However, that does not mean that the PTA should invest its time in funding the construction of a playground. It should advocate to the school district and community to provide the playground. It is not the duty of PTA to provide things that are the responsibility of the school district.

One option that NYS PTA recommends is that the parents/community form a separate organization such as “Friends of the Playground” whose purpose

is to raise funds to build/pay for a playground. That group should have its own bank accounts, 501(c)(3) nonprofit status, insurance, etc. or use the destination school district accounts/insurance. That separate group should work closely with the school district and community to make sure that all local policies, procedures, and regulations are followed. This model has worked in many districts. The PTA folks had the idea, but turned it over to the playground group to run with.

Additional issues with the PTA building playgrounds:

- All money raised will be considered income to the PTA – be careful with the questions on 990-EZ and Schedule A filing. Errors could lead to the PTA losing its 501(c)(3) nonprofit/tax exempt status
- The building of a playground is a high risk activity (red list) for the insurance coverage.

Based on this information and in consideration of the fiscal and liability risks cited, it is our recommendation that PTAs do not take on the project of building/providing a playground.

PTAs and school lunch programs

There have been many questions related to PTAs running regular school lunch programs in buildings where the school district does not provide such a service. The questions relate to insurance and liability coverage and Unrelated Business Income (UBI) and associated income tax liability

NYS PTA has sought the advice of its legal counsel on this matter. A PTA unit sponsoring a school lunch program on a regular basis runs the risk for the units to be cited by the IRS for Unrelated Business Income (UBI) and open to Unrelated Business Income Tax (UBIT). This is due to the following:

as related to PTA purposes

- Since advocating for hot lunches in schools is part of PTA’s history one might say the program meets PTA purposes. However, NYS PTA positions adopted by its Board of Directors, clearly state that

units may not take on school district responsibilities and, more specifically:

PTAs have found themselves faced with requests from school districts for items such as financing and managing hot lunch and security programs. While PTAs understand the importance of such programs, they cannot be responsible for them. PTAs should also be aware that there are inherent dangers in becoming involved beyond their own areas of educational concern. In addition to insurance problems, PTAs could find themselves acting as employers and being responsible for income taxes, workmen’s compensation, disability, and all the other legal concerns with which employers must deal.

- As an affiliate of NYS PTA the elementary school lunch program in some districts appear to be in direct conflict

with the state association’s positions and may negate the argument for “furtherance of purpose.”

UBIT

- To be exempt from UBIT, volunteers’ work must carry out the “material work” of the program or activity. However, with the lunch programs, local vendors are doing the more significant, the “material” portion of work, preparing and cooking food. Arranging menus and serving would not likely be viewed by the IRS as material work, therefore negating any prior assumption that the program qualifies for the volunteer exemption. If the volunteers are not doing the material work, the income would be considered UBI.
- When looking at the amount of volunteer time given to run the lunch programs and the income/revenue collected, there

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PTAs and school lunch programs, con't.

is also the possibility for the lunch program to be classified as the primary activity of the PTA, again running the risk of the activity being outside the association's intended purposes. While this is not quantified by other cases, when calculating total volunteer time for a unit, it seems reasonable to estimate that at least 50% of volunteer time may be devoted to the lunch programs based on the frequency of 2-4 days/week. It appears that no other activity matches that frequency. As noted in at least one school lunch program, the profit is also a substantial part of overall unit income revenue. These factors, i.e. substantial time and substantial portion of income, could be interpreted by IRS officials as a commercial enterprise. If so, the activity

is not considered an exempt purpose by the IRS. Again the unit is at risk for UBIT.

liability

- Despite the fact that NYS PTA insurers have dinners and pizza parties on the **GREEN LIGHT** list of allowable activities this is likely because it is an "occasional" activity, not one that occurs with the frequency and the numbers served as with the lunch programs.
- Additionally, with food being prepared off-premises and volunteers not involved in preparation, assurances to avoid specific allergy-inducing foods by vendors is not monitored by PTA. Under either of these circumstances the unit may be creating a greater risk for the program or activity. There may be other liability issues in

addition to choking or allergic reactions and the consistency of the lunch program.

- Based on these points and in consideration of the fiscal and liability risks cited, it is our recommendation that elementary school lunch programs provided by PTAs be discontinued.
- Finally, an additional concern is that if the IRS begins investigating a unit's financial records, the process is not restricted to one year and may go back many looking for errors – this is not a way volunteers want to be spending precious time. We realize this will be difficult but have every confidence in resourcefulness of PTA membership to find alternative avenues to raise revenue.

hiring school district staff for PTA programs

As chartered 501(c)(3) non-profit organizations, PTAs jeopardize their status by becoming 'Employers of Record' when running enrichment programs/ after school clubs during the school year or during the summer where they plan to hire school district staff. These staff members, which include but are not limited to school coaches, monitors, aides or nurses, are often used to provide services to students during the program. This staff would be in addition to the PTA volunteers.

Hiring anyone to do work for the PTA programs is complicated, especially when hiring school district staff that performs the same function for the school district for part of the same day. In doing so, the unit becomes

an employer and must provide Workers' Compensation insurance, unemployment insurance, and 1099 tax statements. The insurance provided through the NYS PTA policy does not include Workers' Compensation. Units that have done this incorrectly in the past have been heavily fined by the NYS Department of Labor. Additionally, hiring staff will also complicate the unit's 990 tax return. Our PTA insurance carrier and auditors have recommended that local PTA units refrain from hiring employees.

While NYS PTA applauds each unit's desire to provide extra enrichment activities to the children of your district we strongly discourage units to engage in the hiring staff.

As an alternative, NYS PTA strongly suggests that units work with the local school district related to the payment of staff. The mechanisms for staff payments, withholdings and insurance coverages are already in place for district employees. The unit could grant funds, targeted for the enrichment program to be run by the district, to cover the increased costs to the district.

NYS PTA strongly urges that you contact your building principal, district superintendent and Board of Education to form the necessary partnership on the program. Information is provided in this section of the *Resource Guide* regarding grants.

donations of equipment to school districts

The primary function of PTA is child advocacy. Each PTA unit is self-governing and operates under the guidance and structure of National, state and region PTA.

PTA is an educational association, and should not be expected to provide for the needs of their school district or individual school. It should not allow itself to become the provider of services, supplies or equipment for schools, even during times of financial strain.

If a unit feels there is a specific need in their school, approach the principal and site-based team first, and encourage them to include this item in the individual school building budget or school district budget.

It is NOT recommended, but if a unit chooses to donate a gift or money to their school, it should be supportive of school programs and educational needs. The gift must be approved by a unit's general membership and donated to the school district's board of education. The board of education has to approve the receipt of the gift, and the PTA should receive written verification of the school board's acceptance of the gift. Upon the board's acceptance of said gift, the PTA relinquishes all control. The equipment becomes the property of the district, and the district is free to use the equipment in any manner it deems appropriate. This could include moving it, selling it, not using it or giving it away.

The following are reasons why PTAs should not give gifts to schools:

- It can provide inequity among schools and in a school district.
- Liability factor (in certain circumstances).

- A donated gift does not necessarily remain in the school it was originally intended for.
- Where does the responsibility lie for maintenance and servicing of a donated gift?
- When a gift is given by one PTA, it puts other units in the district in a difficult position by parents and school personnel who now exert pressure for a similar donation.
- It establishes a precedent that it is an acceptable practice.
- Constant and unnecessary fundraising establishes PTA as a "fundraising" organization, and members easily lose sight of their goals.
- Lastly, it is not PTA's job to provide financial assistance to schools. It is, however, their responsibility to be vocal during school district budget sessions to ensure that the needs of the children and teachers are met.

grants of money to school districts

The purpose of PTA is not to buy equipment and donate it to a school district. If a PTA wants to purchase (or help purchase) equipment for a school district, it should do so only through a "grant" process. A "grant" is a gift of money for a very specific purpose. A grant of funds to the district (rather than the PTA purchasing equipment and donating it to the district) is the smartest and safest way for PTA to conduct its affairs. It assures the funds will be used for their intended purpose, or they must be returned to the PTA. The PTA does not become the owner of a product or piece of equipment, this **DOES NOT** absolve the PTA of all liability, but does lessen its exposure.

If a grant (or multiple grants) is to be offered, the PTA can establish a committee to prepare a grant application, receive and review the completed applications, and determine the process by which grant recipients are to be decided. The plan of the committee should be approved by the membership prior to the offering of the grants.

Publicize the applications to all those who may be eligible to apply, and after the selection is completed, publicize the recipients of the program or supplies to be funded.

Before granting funds to a school district (or other recipient), the PTA should take the following steps:

- Determine that the school district (or other recipient) actually wants the equipment or project which the PTA is willing to fund.
- Secure an understanding with the district (or other recipient) on all the terms of the grant before writing the specific grant agreement.

A grant agreement should be signed between the PTA and the school district (or other recipient).

This agreement should specify:

- The amount of the grant.
- The "sole and express" purpose of the grant.
- A date by which the district (or other recipient of a PTA grant) must spend the grant funds.
- Unused grant funds must be returned to the PTA. A complete accounting of the expenditure of the grant fund should be submitted to the PTA.

sample grant agreement

The _____ Parent Teacher Association (PTA) hereby gives to the _____ School District a monetary grant in the amount of _____ Dollars (\$ _____) by check number _____.

This grant is for the sole and express purpose of _____

It is agreed that the grant will be spent for the stated purposes on or before _____ or the funds will be refunded to the PTA.

Any unused or unexpected funds will be refunded to the _____ PTA.

The School District will provide a complete accounting of the expenditure of the grant funds to the _____ PTA.

The School District accepts all liability and the responsibility for the maintenance of the _____.

Date: _____ PTA President _____

PTA Secretary _____

Date: _____ Superintendent _____

PTA funds and the funds of other groups

PTA money should be kept in a PTA bank account and never in a personal or school account, or mingled with other group's funds.

The money of another group or organization cannot be deposited into a PTA account.

Occasionally a booster club or student organization will ask to deposit money into a PTA account, or to have PTA make expenditures for it. A reason often given is to sell or purchase items using PTA's sales tax-exempt status. This must not be done. Accountability is difficult and the practice violates Internal Revenue Service and NYS Department of Taxation and Finance guidelines. It may be interpreted as an attempt to

circumvent tax laws. Any request to use a PTA bank account, even if it costs the PTA no money, is unacceptable and possibly illegal.

While a PTA may never donate money to another group, unless that group is also a 501(c)(3) with a similar mission to PTA, or organization or to any individual person or family, it may work cooperatively in coalitions, if the purpose is within the Purposes of PTA.

If a separate coalition organization that has 501(c)(3) status is established, PTA may share in its funding only if one or more PTA representatives are part of the governing body of the coalition.

PTA policy concerning nonpartisan, nonsectarian and noncommercial activity must be followed.

In summary:

- PTA money must always be in a PTA account.
- Only PTA money may be in a PTA account.
- A PTA may not donate funds to an individual or another organization (unless that organization is also a 501(c)(3) with a similar mission to PTA).
- PTAs may work in partnership with other organizations as long as funds are kept separate. The details of the cost and profit sharing for an activity should be agreed to and documented in writing before the activity.

grade level committees

Questions repeatedly surface regarding Grade Level Committees, specifically for the highest grade level in a building. Here is NYS PTA's position and suggestions.

A Grade Level Committee in itself should not be a problem, if the PTA allocates a small amount of funds in proportion to funds allocated for all grades. The celebration of the "graduating class" with such items as class T-Shirts or for post-graduation ceremony refreshments would not jeopardize your non-profit status.

It would be an issue with 501(c)(3) non-profit status if the only thing a PTA did or a great majority of what it did was to raise funds for activities benefiting only a part of the student body, especially if it is not directly in line with the mission and purposes of PTA. If a PTA has funds allocated to educational

activities for all students/parents, advocacy, training, etc. and allocates a portion of its funds to each class for grade level activities, then it would be aligned with regard to its 501(c)(3) non-profit/tax exempt status.

If parents want to dedicate the majority of fundraising efforts to benefit a subset of students and the activities are not aligned with the Purposes of PTA, then it is recommended that a separate group be formed outside of the PTA. That group would have to apply for its own FEIN, non-profit status, and insurance. That group should have its own bank account; no monies raised should be deposited in the PTA account. The PTA sales tax exempt form should not be used by the group. On the question of liability, it comes down to the event sponsored by PTA itself, not with the subcommittee of the PTA running

the event. If the event does not have PLAY status on the AIM Playlist referred to in the 05-B Insurance Section, it is subject to a greater liability risk to the PTA. Great care and consideration should be given to any event the PTA is going to sponsor, regardless of the grade.

purposes of PTA

- to promote the welfare of children in their home, school and community
- to secure adequate laws for the care and protection of children
- to bring a closer relation between the home and school so that parents and teachers may cooperate intelligently in the education of children
- to develop between educators and the general public such united efforts as will secure for all children the highest advantage in physical, mental, social and spiritual education.

scholarships for students

If a PTA gives scholarships to either students or teachers, certain procedures must be followed. The single most important issue is objectivity and equal access.

The procedures determining how scholarship recipients are selected should be **in writing**. The opportunity to apply and receive a scholarship must be objective and open to all that meet the criteria established. The procedures should establish how the scholarship committee is selected (whether elected or appointed, how many people are on the committee, etc.). No one should serve on the committee whose objectivity would be rendered questionable because of a relationship to an applicant. All of these requirements should be listed in the committee's procedures.

The source of funds for scholarships may be, for example, an endowment fund for which the PTA solicits tax-deductible contributions.

Scholarships may be funded strictly from the current year earnings if this is the desire of the unit. A fund may

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scholarships for students, con't.

take years to build to a sufficient level for current year earnings to fund scholarships. This is allowable as long as the PTA has a written plan of its intentions and follows this plan.

While it is not necessarily required, it is advisable to keep funds designated for scholarship purposes in a separate account from general PTA funds.

Donors need to be aware of the status of the plan before contributing. Guard against soliciting contributions “for scholarships” if scholarships will not be offered until the plan reaches a certain level, which could be three years away. Once that level is reached, scholarships must be awarded in compliance with the plan. PTAs cannot continue to solicit contributions and not grant scholarships with the current year earnings.

A 1099 is not required for scholarships. Recipients should be made aware that any of the funds received not used for education expenses, such as school fees, tuition, books or lab fees, may be taxable. Any funds used for travel expenses, babysitting or housing is taxable income. Beyond making the recipient aware of this issue, the PTA has no obligation.

PTAs and afterschool programs

PTAs are always looking to provide programs to enrich the educational experience of the children in their schools.

Some programs, such as author visits or performances to supplement the curriculum are done during the school day in cooperation with the teachers and schools. Other programs are offered to families in the evenings. Some PTAs run afterschool enrichment programs that provide age appropriate activities and classes to students at the end of the school day.

Many of these classes are led by parents and PTA volunteers. Costs are usually low, just enough to cover the supplies for the program. Many times the schools provide the school facility space at little or no charge to the PTA.

With recent funding cutbacks to school districts, some schools have asked the PTA to take over afterschool programs that had been previously been administered by the school districts.

These programs have typically been more costly and sometimes

involve district staff as paid instructors.

PTAs should do extensive research before agreeing to provide an afterschool program themselves or to take over a previously district offered program. PTAs in New York state are under the 501(c)(3) nonprofit umbrella status of NYS PTA. As a nonprofit, each PTA must be careful to not jeopardize its 501(c)(3) status. Things to be considered/questions to be asked include:

- Do the activities of the afterschool program align with the mission of PTA? This should be asked for any PTA activity, not just afterschool programs.
- Does running the program constitute running a business? (**See Unrelated Business Income on page 35.**)
- Are the program instructors paid more than \$600 per calendar year? If so the PTA must issue 1099 tax statements to each instructor as well as file with the IRS and NYS Tax Department. If the PTA is using school district staff as instructors and the work being done by those staff is related to

their job at the school, then the PTA may also have to provide Workers' Compensation and Unemployment Compensation insurance. There has been at least one PTA in New York that was fined over \$10,000 for not making these payments. Please consult with your school business official before hiring any school district employees.

PTA insurance

Please check Section 5B - Insurance for questions relating to insurance coverage and afterschool programs.

questions?

If you have any further questions about PTAs sponsoring afterschool programs, please contact your region director or the NYS PTA Treasurer at 518-452-8808 or treasurer@nyspta.org.

additional important information



postal regulations

A PTA may apply for a bulk mailing postal permit, which can save money if all of the mailing criteria are met, i.e., 200 pieces or 50 pounds of like mail at one time. The latest postal regulations have specified various preparation options at varying postage rates. The best way to find out about your mail options is to contact your local post office. If your local post office does not have a nonprofit expert, request that you be referred to the closest available location with this service.

sales tax

PTAs can be exempt from sales tax in New York State if they apply for and receive a NYS Sales Tax Exempt number. This number is on page 1 of the unit bylaws. If it is not there, contact your region to start the process to apply. PTAs must not share the tax exempt number with other units. PTAs must not use the school district tax exempt number.

disaster assistance

At times, PTAs become involved in disaster assistance, providing aid to victims of such disasters as hurricanes and tornadoes. PTAs must be careful about how they handle goods and money in these situations.

If a PTA is collecting funds, it is best to ask the donor to make the check payable to the agency receiving the funds. The PTA can collect the checks and forward

them to the agency. It is better if the PTA does not deposit the money into its regular bank account.

If the PTA does deposit checks into its regular bank account, it will have to declare these funds as income. The PTA should keep accurate records of the deposit and disbursement of those funds.

A PTA can vote, per its bylaws, to donate its own funds to a relief agency, provided that that agency is a 501(c)(3) not-for-profit organization. Any substantial contribution from PTA funds should be to an agency that focuses on a school- or student-related relief effort.

PTAs involved in disaster assistance must also consider how they will keep information about the beneficiaries confidential. A PTA may wish to partner with the school district or another community agency to guard the privacy of the displaced citizens and to ensure that donations get where they are most needed.

While disasters often bring out the best in people, they also bring out the worst in a few. Some agencies that claim to be working on behalf of disaster victims are really scam artists trying to raise money for themselves. **Be sure to donate your funds to reputable, well-established agencies such as the American Red Cross to avoid falling victim to a swindle.**

“Sunshine Funds” refer to a local PTA unit’s effort to provide assistance to an individual or family in the case of a catastrophic event, such, fire, or other disaster. While these efforts are extremely well intentioned and admirable,

using the funds of a local PTA for such a cause could result in that local PTA losing their tax-exempt status with the IRS.

[Click here to read more from National PTA about Sunshine Funds.](#)

charitable class

A charitable association, such as PTA, must be set up to benefit an indefinite class of individuals, not particular persons. However, the number of beneficiaries may be small as long as the benefited class is open and the identities of the beneficiaries are not specifically listed.

The group of individuals that may properly receive assistance from a charitable association is called a “charitable class.” A charitable class must be large or indefinite enough that providing aid to members of the class benefits the community as a whole. Because of this requirement, a tax-exempt disaster relief or emergency hardship organization cannot target and limit its assistance to specific individuals, such as a few persons injured in a particular fire. Similarly, donors cannot earmark contributions to a charitable association for a particular individual or family. When a disaster or emergency hardship occurs, a charitable association may help individuals who are needy or otherwise distressed because they are part of a general class or charitable beneficiaries. **There are many PTAs that have a family or child in need that they would like to donate funds to. In this case, take your fundraising expertise outside of the PTA to ensure that your PTA does not work outside its mission to serve every child.**

federal requirements

Federal tax-exempt status 501(c)(3) organizations

Most PTAs are classified as tax-exempt 501(c)(3) public charities under the Internal Revenue Code (IRC).

One major advantage for organizations that are exempt under Section 501(c)(3) of the IRC is that contributions to such organizations may be deductible on donors' federal income taxes. In addition, PTA members who receive only minimal reimbursement for their PTA-related expenses may be able to treat the balance as a charitable gift. Examples of possible expense deductions include transportation, telephone calls, meals and lodging. Consult current IRS rulings for allowable deductions.

It is very important that PTAs do not jeopardize their tax-exempt status. They must not violate certain restrictions that apply to their 501(c)(3) classification:

- As a 501(c)(3), a PTA must be organized and operated exclusively for charitable, educational or scientific purposes (the mission as defined in bylaws).
- A PTA's resources and funds cannot be used for the private benefit of an officer or director (private inurement).
- Upon a PTA's dissolution, its assets must be distributed for one or more of those defined exempt purposes. New York State PTA procedures specify that all funds from dissolved units be sent to New York State PTA.
- **A PTA cannot engage in any political activity. Associations that are classified as 501(c)(3) are forbidden to support candidates for public office.**



- A PTA can only engage in an insubstantial amount of lobbying activity.

In evaluating whether or not an organization meets the qualifications for exemption under Section 501(c)(3), the IRS evaluates according to the following:

- **Organizational test** – The IRS examines bylaws, articles of incorporation, etc., to determine the purpose of the organization/association and for other provisions that address compliance with the restrictions listed above.
- **Operational test** – The IRS evaluates the organization's operations, its activities, the sources of its income and receipts, and the disposition of funds with regard to the restrictions listed above.

employer identification number and IRS form SS-4

Every PTA must acquire an IRS Employer Identification Number (EIN, or FEIN [Federal Employer Identification Number]). **That number is a part of the**

permanent record of the local PTA and should also be on file in the state PTA office. This number should be used for bank accounts and will be required for filing IRS Form 990.

Each PTA in New York State has its own Federal Employer Identification Number (FEIN). New York State PTA assists units with the application for the FEIN (IRS Form SS-4) when the unit is chartered. The FEIN is listed on page 1 of your bylaws. Contact your region PTA if the FEIN is not there or if there is any confusion over what FEIN is correct. FEINs must not be shared by multiple PTAs. PTAs may not use the school district FEIN.

The name of the local or council PTA should be used in filling out the application. The school address may be used if only one school is involved. The only place an individual's name should appear is on the signature line where the officer making the application must sign. The "reason for applying," as requested on the form, should be

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federal requirements, con't.

completed “for banking purposes only.”

determination letter of federal tax-exempt status and IRS form 1023

PTAs qualify for exemption from federal income tax. New York State PTA has secured from the IRS a group or blanket federal income tax exemption under Section 501(c)(3) of the Internal Revenue Code; this group or blanket exemption applies to the state PTA’s local units.

The group exemption number for New York State units is 1258.

This determination letter of tax-exempt status from the IRS should be part of the permanent records of the PTA.

The Determination Letter should be a part of each PTA’s permanent records. It consists of two documents. The first is the Determination Letter issued to New York State PTA. The second is a letter from the New York State PTA Treasurer stating that your unit was chartered by New York State PTA and therefore is also a 501(c)(3) tax-exempt organization. The letter does not need to be updated every year. If you do not have a Determination Letter on file, contact your region PTA.

private inurement

Private inurement is when an individual of power or influence within the not-for-profit enters into an arrangement with the not-for-profit and receives benefits greater than he or she has given. Under no circumstances should a PTA enter into such transactions. The PTA will risk intermediate sanctions (significant excise taxes) and loss of tax-exempt status.

information return of organization exempt from income tax – IRS forms 990 and 990-EZ

All local, council and region PTAs are required to file an annual information return of their income and expenses on Form 990 (Information Return of Organization Exempt from Income Tax) and other related information forms provided by the IRS, such as Schedule A and Form 990-T. The responsibility of filing lies with the PTA unit and its treasurer.

990-n/e-postcard

PTAs whose annual gross receipts are \$50,000 or less for tax years ending on or after December 31, 2010, may submit Form 990-N, also known as the e-Postcard, electronically unless they choose to file a complete Form 990 or Form 990-EZ with Schedule A. If you do not file your e-Postcard on time, the IRS will send you a reminder notice, but you will not be assessed a penalty for filing the e-Postcard late. However, an organization that fails to file required e-Postcards (or

information returns – Forms 990 or 990-EZ) for three consecutive years will automatically lose its 501(c)(3) tax-exempt status. The revocation of the organization’s tax-exempt status will not take place until the filing due date of the third year. If this happens to your PTA, you can find resources at www.PTA.org/taxhelp to guide you through the steps to be reinstated.

losing federal tax-exempt status

If a PTA receives notification that its tax-exempt 501(c)(3) status has been revoked, there is a process to have it reinstated. Contact your region PTA immediately for assistance. If your status is revoked, then your unit may/may not:

may:

- Continue to be a PTA
- Sell memberships
- Run programs/events
- Pay bills
- Maintain PTA insurance
- Attend State/Region PTA events and trainings
- Advocate

federal requirements, con't.

may not:

- Use the New York State Sales Tax Exempt form (ST-119.1) for purchases
- Solicit/accept tax-deductible donations
- Apply for grants for not-for-profits
- File the 990 until status is reinstated

The e-Postcard is due every year by the 15th day of the fifth month after the close of your tax year.

For example, if your tax year ended on June 30, the e-Postcard is due November 15. If the due date falls on a Saturday, Sunday or legal holiday, the due date is the next business day. You cannot file the e-Postcard until after your tax year ends on or after July 1.

Completing the e-Postcard requires the eight items listed below:

- Employer identification number (EIN)
- Tax year
- Legal name and mailing address (school address)
- Any other names the organization uses
- Name and address of a principal officer

- Website address, if the organization has one
- Confirmation that the organization's annual gross receipts are normally \$50,000 or less for tax years ending on or after December 31, 2010
- If applicable, a statement that the organization has terminated or is terminating (going out of business)
- To file the e-Postcard, go to epostcard.form990.org. Keep a copy of the information filed for the PTA's permanent records.

990-EZ

If the PTA's annual gross receipts are normally more than \$50,000 but less than \$200,000, and total assets are less than \$500,000, the PTA has an obligation to complete and file Form 990-EZ with Schedule A. **See Page 51 for further instructions.**

- Forms 990 and 990-EZ are due by the 15th day of the fifth month after the close of the PTA's fiscal year. For example, if the PTA's fiscal year-end is June 30, the form is due by November 15th.
- If the return is filed late, a penalty of \$20 a day may be charged. The penalty is not to

exceed the lesser of \$10,000 or 5 percent of the association's gross receipts for the year. Also, a penalty may be charged if the return is filed incorrectly or incompletely.

- **If the PTA is required to submit a Form 990 or 990-EZ, it must submit a Schedule A.**
- If the PTA has more than \$1,000 in gross unrelated business income, it must file a Form 990-T as well.
- If the PTA has made significant changes to its bylaws (i.e. change in fiscal year, change in governance/structure), a copy of the updated bylaws should be submitted to the IRS with the completed Form 990 or 990-EZ (not common).
- If the PTA wishes to request an extension of time to file Form 990 or 990-EZ, it should be completed and a Form 8868 filed with the IRS before the 990 filing deadline.

IMPORTANT:

The tax year for filing the 990/990-EZ is the same as the first year in your fiscal year. For example, for fiscal year 07/01/16–06/30/17, you would file the 2016 990/990-EZ form.

public inspection requirements

Any PTA that files a Form 990, 990-N, or 990-EZ must make the return available for public inspection during the three-year period beginning with the date it is due, including extensions. All parts of the return and all required schedules and attachments other

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federal requirements, con't.

than the schedule of contributors to the association must be made available. Inspection must be permitted during regular business hours at the association's principal office. If the association does not maintain a permanent office, it must provide a reasonable location for a requester to inspect the association's annual returns. The association may mail the information to a requester; in such cases, the association may charge for postage and copying only if the requester gives up the right to a free inspection.

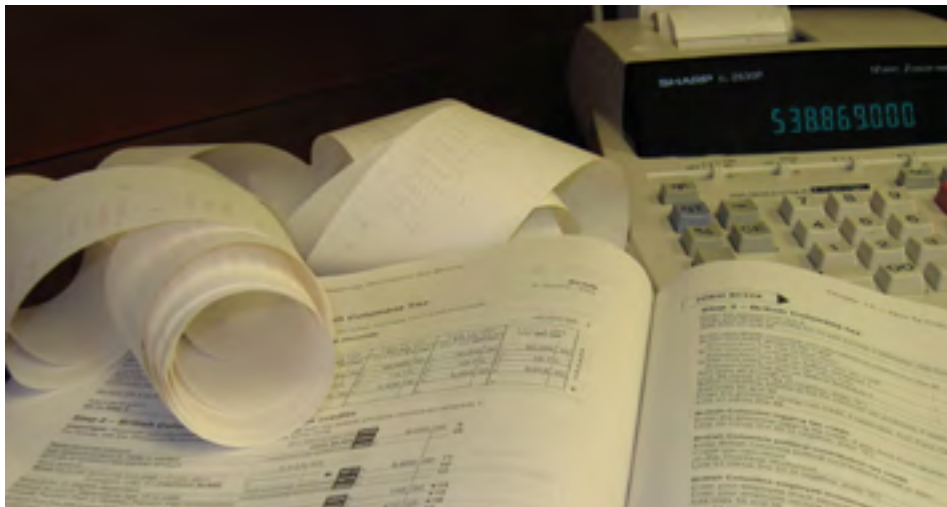
For a request made in person, the PTA must respond immediately. For a request made in writing, the PTA must provide the requested copies within 30 days and may charge a reasonable fee for reproduction and mailing costs. PTAs may post their 990s on their website in PDF format for easy public access.

Any PTA that does not comply with the public inspection requirement will be assessed a penalty of \$20 for each day that inspection was not permitted, up to a maximum of \$10,000 for each return. No penalty will be imposed if the failure is due to reasonable cause (determined by the IRS). Any PTA that willfully fails to comply will be subject to an additional penalty of \$1,000.

All inquiries should be reported to the state PTA.

unrelated business income and IRS form 990-T

Most PTAs are exempt from federal income tax under Section 501(c)(3) of the IRC and are further defined as public charities (not private foundations).



Having tax-exempt status means that a PTA does not pay federal income tax on income from activities that are substantially related to the purpose for which the PTA was given tax-exempt status.

However, the PTA may be required to pay tax on other types of income, referred to as unrelated business income (UBI).

The law requires not-for-profits to:

- Report unrelated business activities when gross receipts are at least \$1,000 by filing IRS Form 990-T.
- Pay taxes on net (after expenses) receipts.

Not-for-profits risk losing their tax-exempt status only if such activities become the primary focus and make the tax-exempt mission secondary.

what is unrelated business income?

For an activity to be classified as yielding unrelated business income (UBI), three factors must be present: **The activity must be (1) a trade or business, (2) regularly carried on, and (3) unrelated to the organization's tax-exempt purpose.**

a trade or business

- For the activity to be considered a business, the not-for-profit must take an active role in the generation of the income.
- The activity must provide income, but does not have to produce a profit.

regularly carried on

- IRS regulations state that activities that are carried on only "discontinuously or periodically" will not be considered to be regularly carried on.
- If an activity is of short duration, but follow-up or preparation is carried on over a long period, the income from that activity could be UBI.
- An activity occurring only once per year may yield UBI if a commercial company performing the same activity would also be active only once a year.

unrelated to the association's tax-exempt purpose

- If an activity is not substantially related to the PTA's mission, then it could be considered unrelated to

federal requirements, con't.

fulfilling the tax-exempt purpose of the PTA.

- The substantial relation of the activity to the PTA's tax-exempt purpose cannot come solely from the PTA's need for money.

The destination or use of the income has no bearing on whether it is unrelated business income. The determination is made by how the income is earned.

exceptions or exemptions

The income from most PTA fundraising activities is exempt from federal income taxes because:

- The activities are conducted only once per year, or
- At least 85 percent of the work of the activities is conducted by volunteers, or
- The activities consist of selling donated merchandise (e.g., a silent or live auction of donated merchandise).

Judgment of whether an activity is related or unrelated is made on a case-by-case basis.

The federal, state, and local governments may have different standards for pursuing the charge of UBI, although most state and



local governments follow the federal rules.

statement for recipients of miscellaneous income—IRS form 1099-MISC

PTAs may be required to file Form 1099-MISC with the IRS if they pay \$400 or more during the calendar year to any unincorporated business or person for services rendered or in payment for a grant, award, or scholarship.

Form 1099-MISC need not be issued to corporations or to those paid less than \$600. Form 1099-MISC must be sent to the recipients on or before January 31 of each year and filed with the IRS, along with Form 1096 (Annual Summary and Transmittal of U.S. Information Returns), on or before February 28 of each year.

For details regarding when and how to file, download the Instructions for Form 1099-MISC, as well as the General Instructions for Forms 1099, 1098, 5498, and W-2G, at [IRS.gov](https://www.irs.gov).

application to adopt, change, or retain a tax year – IRS form 1128

PTAs in New York State should have a fiscal year starting July 1st and ending June 30th. If your PTA has a different fiscal year, please contact your region PTA for assistance in getting it changed with the IRS. Do not just change fiscal year and continue operation yourself.

excess benefit transactions

When a PTA provides perks, payment, or extra benefits (such as limousine service, presidential suites or first-class air travel) to officers or special members of its association, the IRS may consider

it an excess benefit transaction, and the individual receiving the benefit, as well as the person who approved the benefit, may be liable for tax penalties.

The IRS may consider it an excess benefit transaction if a PTA provides to an officer or person associated with the PTA a benefit that exceeds what would be considered reasonable compensation as consideration for service.

Previously, PTAs could lose their tax-exempt status for engaging in excess benefit transactions. The Taxpayer Bill of Rights 2 (signed into law July 30, 1996) imposes intermediate sanctions – an alternative to revoking an association's exempt status.

In order for a transaction not to be classified as an excess benefit, any item that may appear to be an excess benefit should be substantiated with documentation showing how the transaction benefited the PTA (e.g., presidential suite was used for officers meetings or meetings with sponsors or exhibitors for future business).

disposition of local PTA assets

Local PTAs contemplating dissolution should be aware of the state PTA policies and their legal implications. Each PTA's bylaws provide that "in the event of the dissolution of the organization, its assets shall be distributed for one or more of the exempt purposes specified in Section 501(c)(3) of the IRC of 1954 as from time to time amended," and further, that the 501(c)(3) association receiving

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federal requirements, con't.



the funds be designated by the state PTA.

This basic policy only states what would be reasonably expected—that the assets of the PTA, after the debts and obligations of the association have been paid or adequately provided for, be used for one or more of the educational purposes for which they were collected, and not be given to individuals. Any disbanding local PTA must comply with those rules and, as stated in the bylaws, is obligated, upon withdrawal of its charter, to yield up and surrender all of its books and records and all of its assets and property to New York State PTA. The region and state PTA should be contacted well before any action is contemplated. The policy on disposition of assets (i.e., all cash, accounts receivable, other property, and any rights that may have monetary value) is also applicable in cases where PTAs merge.

IRS forms and publications

All IRS forms and publications may be obtained for free from the IRS. Call (800) TAX-FORM (829-3676) or visit [IRS.gov](https://www.irs.gov).

New York State requirements

PTAs in New York are not required to file New York State income tax returns.

PTAs in New York are not required to file the New York State CHAR 500 form.

New York State sales tax

PTAs are not required to pay New York State Sales tax on items purchased for use in presenting programs or carrying out the work of PTA. When PTA members purchase items for the PTA, they should present an exemption certificate to the retailer in order not to be charged sales tax. The PTA is required to complete the form with the tax exemption number issued to them by the New York State Department of Taxation. This number is received by filing form ST-119.

However, if the PTA acts as an agent for the company, as in the example of book fairs,

and never owns the merchandise, sales tax must be remitted. The PTA may choose one of the following options:

- To collect the tax on each sale,
- To adjust the cost of the item to include the tax, or
- To calculate the tax on the gross sales and take the tax expense out of their profit.

The PTA should write a separate check to the vendor for the sales tax. The agreement between the PTA and the vendor should clearly show that it is the vendor who will be responsible for paying the sales tax to New York State.

If the PTA owns the items, but they are sold on a regular basis, sales tax must be collected and remitted to New York State. For example, a PTA school store that is operated on a regular basis (e.g. every Tuesday, the first Wednesday of the month, etc.), the PTA would be required to collect and remit sales tax to New York State.

New York State Exempt Organization Certification **ST-119.1**
 (REV. 12/15)

This certification is not valid unless all entries have been completed.

Organization Name	Address (Street, City, State, ZIP+4)
Organization Type	Organization EIN
Authorized Representative Name	Authorized Representative Title
Authorized Representative Address	Authorized Representative Phone
Authorized Representative Signature	Date

Instructions

Seller:
 If an exempt item has been purchased and an officer of the organization has signed this certification, you may exempt that item from sales tax. A separate document is not required. The exempt organization must be the direct purchaser and must not be a reseller. The exempt organization must be the direct purchaser and must not be a reseller. The exempt organization must be the direct purchaser and must not be a reseller. The exempt organization must be the direct purchaser and must not be a reseller.

Purchaser:
 Complete this certification and give it to the seller. This form is not valid unless all entries have been completed. The exempt organization must be the direct purchaser and must not be a reseller. The exempt organization must be the direct purchaser and must not be a reseller. The exempt organization must be the direct purchaser and must not be a reseller.

fundraising and the purpose of PTA

The primary emphasis in PTA should be the **promotion of the PTA mission and the purposes of PTA**. The real working capital of a PTA lies in its members, not in its treasury. **Fundraising is not a primary function of PTA.**

When PTAs invest their human resources in programs that improve homes, schools and communities, they earn benefits for children and youth with very small outlays of money. PTA-sponsored programs can provide enrichment activities for families. PTAs can work with other community organizations on community-wide issues that match up with PTA priorities.

The purpose is not to subsidize public funds by hiring teachers, etc. Any funds generated by a PTA, including the local portion of dues, should be predetermined and budgeted for purposes that advance PTA work, such as participating on committees, and undertaking projects and programs. Participation in region, state and National PTA conventions and training events is an appropriate and important use of PTA funds.

program and project funding sources

Annual membership dues are a primary source of funds for PTAs; some PTAs are able to do excellent work with no financial resources other than their dues. However, special projects and programs may require additional funds. If dues are not sufficient to finance a PTA's work, supplementary funds may be raised within the context of the mission and purposes of the PTA.

The framework for how a PTA should conduct its fundraising is determined by the policies of the National PTA and the government regulations for 501(c)(3) tax-exempt organizations.

Any funds generated by a PTA, including the local portion of dues (not state or national portions of dues), should be budgeted for purposes that advance PTA work.

PTAs should begin each year with specific goals in mind, and should identify strategies for reaching those goals before determining the dollar amount needed in a fundraising event. Only those funds

necessary to meet the needs of the year's activities and projects, as outlined in the PTA's budget, should be raised.

One well-planned fundraising project will usually raise whatever funds are needed to finance the year's activities. If the fundraising event is to reflect the high principles of the association, it will have educational, social, or recreational value in itself.

Before undertaking any financial enterprise, a PTA should check with school, local and state authorities to determine whether the planned activity is prohibited by state or local law or by school policy, or whether the PTA requires any special permit.

did you know? sponsorship vs. endorsements

Corporate sponsorship is a funding mechanism in which a commercial concern provides cash, products, or know-how to a charitable or educational association in return for an acknowledgment of thanks. The acknowledgment of thanks

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fundraising, con't.

generally takes the form of public recognition for the sponsor's support.

Corporate sponsorship activities stand in contrast to endorsement activities, in which charitable or educational associations endorse the products or services of commercial concerns.

Sponsorships are an appropriate means of funding projects and programs that promote the objectives of the organization. Endorsement activities are not appropriate for PTA participation based on PTA's noncommercial policy.

In return for sponsorship, a PTA may thank the sponsor for its contribution; the thank you may be in writing or on posters, banners or other appropriate media. The written acknowledgment must be limited to an expression of thanks and can list identifying information for the sponsor. The acknowledgment can never make a qualitative judgment regarding the sponsor or its product, and **it cannot request that people patronize the sponsor or buy its products**; otherwise, the sponsorship payment will be subject to federal income tax.

A 501(c)(3) charitable or educational association is not prohibited from engaging in corporate sponsorship activities. A special provision in the IRC makes 501(c)(3) organizations exempt from paying federal income taxes on income from corporate sponsorships, as long as the benefits that are given back to the corporate sponsor fall within IRS guidelines. Because qualifying corporate sponsorship income is considered a charitable donation,

there is no limit to the amount that can be received by a 501(c)(3) organization.

seeking corporate sponsorship

Listed below are elements of New York State PTA and national policy that local PTAs may find helpful when seeking corporate sponsors:

- Sponsorships shall help further the programs, aims and goals of the association.
- Sponsorships can be linked to specific events, programs, activities or publications, or can be added to general funds.
- Sponsorship money or in-kind donations shall not be solicited nor accepted from companies that manufacture products or take public positions inconsistent with National and New York State PTA's positions and resolutions (e.g., alcohol, tobacco or firearms companies).
- A successor clause will appear in all sponsorship contracts.
- Sponsorship agreements shall never involve techniques or marketing approaches that exploit children. This does not preclude the sponsor from using child actors in advertising and promotions.
- The PTA name, logo or mark shall **not** be used in sponsorship materials or communications without identifying the company as "official sponsor of {unit name} PTA."
- Sponsors' products shall not be identified as "official product of {unit name} PTA."

selecting appropriate fundraising activities

One well-planned fundraising project will usually raise the funds needed to finance the year's activities. If the fundraising event



is to reflect the high principles of the PTA, it will have educational, social, or recreational value.

The following questions should be used as guides in selecting and planning a fundraising project that will be both successful and worthy of the PTA:

- Does it adhere to the PTA mission and the purposes of PTA?
- Does it conform to the noncommercial, nonsectarian, and nonpartisan policies set forth in the PTA bylaws?
- Does it refrain from using or exploiting children? Will it create goodwill for the PTA?
- Is it a type of activity that can serve as a positive example for children and youth? Will it provide the revenue to help meet the PTA's goals?
- Did the fundraising committee provide a budget of expenditures (e.g., materials and advertising for the event), as required by the PTA's bylaws and standing rules?
- Do the state and local governments require the PTA to collect and remit sales tax? Are special permits, such as special licenses or health permits, needed?
- Is the liability of the PTA and its members protected through sufficient insurance or otherwise?

fundraising, con't.

- Did the president sign the contracts for vendors and/or manufacturers? Do the contracts for products cover who is responsible for spoiled or damaged goods? For unclaimed goods?
- Is the PTA using volunteers, or does it have to pay or contract with workers?
- Have procedures been established to safeguard the handling of products and money? What are the costs for using a facility? How long is the event going to be held?
- Are there special requirements or restrictions for using the facility? Are fire laws and safety precautions strictly observed? Is the facility accessible to people with disabilities?
- Is it an infrequent or ongoing activity? Be aware that unrelated business activities could result in some federal or state taxation of the income earned or, in the extreme, the loss of your tax-exempt status.
- Are there local, state or federal laws that apply? Is care taken to see that no law is violated?

Depending on the PTA and the activity, there may be other questions that need to be addressed. When considering several fundraising ideas, review this list, as well as other questions and concerns, to determine which fundraising event to choose.

the 3-to-1 rule

When planning the year's activities, PTAs should use the 3-to-1 rule. For every fundraising activity, there should be at least three non-fundraising projects aimed at helping parents or

children or advocating for school improvements.

standards for PTA fundraising

PTAs are often called upon to finance programs and purchase needed equipment that tight school budgets do not have the money for, and each PTA must decide what it will do. Before approving proposals for material aid to the school or community, a PTA should consider whether or not the proposed equipment or service is a public responsibility.

If a public service is urgently needed and public funds are not immediately available, a PTA may initiate and coordinate the service while encouraging public agencies to take over the financing and operation of the service. In emergencies, PTAs may provide for the pressing needs of children and youth while they work to alert the public to its obligations.

A PTA renders a greater service by working to secure adequate funding for programs that have an enduring benefit than by purchasing equipment for schools. PTAs should not contribute to the problem of inequities within a school district by excessive fundraising.

As money for services and equipment becomes available from other sources, a PTA should allocate more of its funds to such

projects as leadership development, parent education and child health and safety programs. PTA funds should always be used to further PTA's mission.

PTA fundraising should be carried out within the framework of National PTA's policies. A PTA should never undertake any form of fundraising that may be detrimental to character building.

Once the goal of the fundraising project has been thoroughly considered, the following points can help guide a PTA in deciding on a fundraising event:

- The PTA should check with its state PTA to determine whether guidelines exist for working with individual companies or corporations. The anticipation of a successful fundraiser should not cloud the judgment of the PTA or be exploited by those outside the PTA who may have something to gain privately.
- Project organizers must take care not to improperly obligate their PTA when soliciting or accepting commercial contributions to help finance a project.
- Children should not be the primary means of soliciting with fundraising activities.

PTAs need to be aware of the risks involved in soliciting or accepting commercial contributions to finance, or assist in financing, projects. Such contributions may create obligations that violate the noncommercial policy of PTA – a policy designed to protect PTAs from exploitation. Every PTA leader should be familiar with and understand the noncommercial policy.

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fundraising, con't.

Considerations in developing standards for selecting fundraising materials:

- Does the program require children to purchase a product in order to participate?
- Is it expected or implied that children will be required to sell to others?
- If there are classroom materials, are they credible and accurate?
- Has the company produced the materials in partnership with a recognized authority?
- Are the materials complete and not deceiving or misleading by omission?
- Is the language and organization of material age-appropriate? Is the information designed to sell products?
- Do the text and illustrations uphold the PTA's nondiscrimination policies?
- Is this a win-win situation where the PTA is benefiting financially or otherwise from the relationship?

protecting PTA's tax-exempt status

A PTA's tax-exempt status is one of its most important assets. If that status is revoked, charges of negligence or mismanagement may be brought against the officers and directors. Therefore, when considering a proposed activity, the

PTA should ask, "Will this activity adversely affect our tax-exempt status?"

Strict compliance with all applicable federal, state and local laws is extremely important to prevent even the most well-intentioned effort from becoming a serious problem.

Keep in mind that an activity will be considered commercial if it consists of selling goods or services that do not contribute significantly to education or advocacy for children, even if the revenue raised from the activity is used for education or advocacy. The IRS looks at the source of the funds, not the use of the funds, to determine commerciality.

PTA's noncommercial policy

All PTA bylaws – national, state, region, council and local – include the requirement to be noncommercial:

- PTAs are prohibited under federal law from engaging in substantial business activities that are unrelated to their tax-exempt purposes, which are legally defined as educational and charitable.
- PTAs should not endorse products, companies or foundations.

- PTAs may accept and acknowledge contributions of sponsors of PTA programs.
- PTAs may accept advertising as long as it stays within postal regulations (no more than 10 percent of the total document, including any self-advertising, e.g., for conventions and other events) and does not jeopardize the purposes and not-for-profit status of PTA.
- PTAs should familiarize themselves with local, state and federal regulations and requirements regarding licensing and liability before sponsoring or conducting public events.

legal implications of fundraising

In addition to the tax and regulatory concerns that follow, there are three main types of legal implications to fundraising activities.

First, product liability concerns are always present when PTA is involved in selling a product. The concerns vary with the type of product sold. For example, gift wrap is less likely to result in personal injury than is frozen pizza.

Personal injury claims other than product liability claims are the second main legal concern. A volunteer who is injured while engaging in a fundraising activity, for example, may attempt to hold the PTA responsible.

The third main legal concern results from contract issues. Commercial vendors involved in the fundraising activities may require the PTA to sign written contracts. Like any legal document, these agreements will be binding on the PTA and result in legal liability if they are not fulfilled. For example, if a



fundraising, con't.

PTA signs a contract to resell a product as a fundraiser and the contract requires a minimum purchase, the PTA may be required to purchase the minimum amount of goods from its own funds if enough orders are not obtained. Any contract entered into by a PTA should be examined thoroughly by a person knowledgeable in contract law (preferably a lawyer) who can advise the PTA with respect to its obligations. The PTA president is the only individual that can sign a contract (**see page 19**).

school district policies

Many school districts have established procedures for organizations to follow with regard to fundraising on school property using staff and students. PTAs should be familiar with those procedures and work cooperatively with school personnel.

state laws on fundraising

Regulations vary widely from state to state. Before beginning a fundraising activity, it is important for a PTA to check with the appropriate office in the state government to learn about registration and disclosure requirements and other statutes that may apply.

local laws on fundraising

Many cities and counties also have registration and disclosure statutes. Particular kinds of fundraising activities are frequently subject to special local regulations.

games of chance

A fundraising activity involving a for-profit business or a game of chance or gambling **should be considered carefully before proceeding**. The funds raised from these activities may be subject to taxation and, in extreme



circumstances, may cause the PTA involved to lose its tax-exempt status.

In addition, raffles, bingo, casino nights, other games of chance, and auctions may be limited or prohibited by state and local law or school policy. If permitted, they may require special registration with state or local authorities.

e-commerce and affinity programs

E-commerce and affinity programs are popular sources of non-dues revenue. In both types of programs, a portion of the sale of a product or service is contributed to a particular charitable cause. The amount of the contribution is usually governed by the sales or the usage of a product or service.

E-commerce purchases are made through the Internet. PTAs can enter into agreements with companies whereby the companies return a percentage of member and nonmember purchases to PTAs as a contribution. PTAs can also be designated as recipients of charitable contributions whenever a customer is asked to designate a charity.

Affinity programs, such as PTA credit cards, are **not recommended** by New York State PTA.

When either type of agreement is formulated, a PTA should verify that the agreement is structured to protect the PTA's tax-exempt status and does not compromise PTA policies. Either agreement can be structured to avoid unrelated business income. The money received by PTAs should be accounted for as contributions on their financial statements.

accounting for funds

- At the fundraising event, or when funds are received, the treasurer and the chair, together, should count the monies received. Both should sign the receipt verifying the amount.
- Itemized bills, sales slips, etc., are given to the treasurer for payment by check. The treasurer promptly issues receipts for all monies received and promptly makes a deposit in the local bank account.
- Funds must never be deposited in a personal bank account or in the account of another organization.
- As with the other financial transactions of the PTA, the treasurer is required to keep complete financial records of income and expenditures associated with the fundraiser. The treasurer should prepare a written report of the financial information (listing expenditures and income by category) and present the report to the PTA governing body.

contact us

Call your region, state PTA or National PTA headquarters for answers to fundraising questions. Do not rely on the advice of outside vendors.

substantiation requirements for charitable contributions

deductibility of contributions made to PTAs

PTA members and contributors often assume that any payment they make to a PTA in conjunction with a fundraising event is tax-deductible. However, rules and limitations exist for the deductibility of such payments.

quid pro quo contributions

IRS regulations state that charities must provide a written disclosure statement to a donor for a quid pro quo contribution of more than \$75. This type of contribution is a payment made partly as a contribution and partly in exchange for goods and/or services. The disclosure statement must disclose the amount of the payment and give a description and good faith estimate of the value of the goods and/or services received in exchange for a portion of the payment.

Example: If a PTA holds a fundraising event that provides a meal or some tangible item in return for the purchase of a ticket, then the portion of the ticket that is tax-deductible is the ticket price less the fair market value of the meal or item received.

charitable contributions of cash

A donor claiming a monetary charitable contribution deduction of any amount cannot take the income tax deduction unless he or she has a canceled check, bank record or acknowledgment from the charitable organization. The acknowledgment correspondence must:

- Include the name of the charitable association (name of PTA).
- Include the amount of money received.
- Include date of the contribution.
- State whether any goods or services were received in return for the contribution.

- Describe the goods or services received, with the fair market value of same.
- Be received by the donor prior to the due date of the donor's tax return.

Charitable expenses, that are not reimbursed, can be deducted on an individual return if you are itemizing using Schedule A of your tax return.

Examples for deductible expenses include:

- Mileage for travel at \$.14/mile or actual costs of gas + oil (receipts needed)
- Parking and tolls
- Food for travel that includes an overnight stay

Examples of expenses that are not deductible include:

- Expenses for child care so that you may perform charitable work
- Traffic tickets or parking fines

See IRS publication 526 for more information.

Out-of-pocket volunteer expenses can qualify for a charitable deduction but are subject to the same substantiation requirements if the expenses exceed the \$250 threshold. The volunteer must maintain records to substantiate the amount of the expenses, and obtain a statement from the organization describing the service provided by the volunteer and indicating whether or not any goods or services were provided to the volunteer in return.



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charitable contributions, con't.

sample receipt forms

contribution greater than \$75 goods or services returned to donor

This acknowledges receipt of the following described property from you as a charitable contribution made on {date}, 20__ : {Describe the cash or property given. }

We have provided you with goods or services in exchange for this contribution. Our estimate of the fair market value of these goods or services is \$____. This means the net amount of your contribution, which may be a charitable contribution for federal income tax purposes, is \$ ____.

We are required by law to provide this information to you. The charitable deduction is limited to the excess, if any, of your contribution over the value of the goods or services provided to you.

Please retain this document for your records. It is an important document necessary for any available federal income tax deduction for this contribution.

(Name of your PTA) _____

Authorized Signature _____

Date _____

contribution of cash no goods or services returned to donor

This acknowledges receipt of the following described property from you as a charitable contribution made on {date}, 20__ : Amount \$____.

We have not provided you with any goods or services in exchange for this contribution. Please retain this document for your records. It is an important document necessary for any available federal income tax deduction for this contribution.

(Name of your PTA) _____

Authorized Signature _____

Date _____

charitable contributions, con't.

penalties

An acknowledgment to substantiate charitable contributions and a disclosure statement for quid pro quo contributions are two separate documents. If a PTA decides to make them one document, the PTA must follow all the rules and deadlines in order to avoid applicable penalties. Charities that fail to provide the required disclosure statements for quid pro quo contributions of more than \$75 will incur a penalty of \$10 per contribution, not to exceed \$5,000 per fundraising event or mailing.

documentation requirements for charitable contributions

The IRS has released final regulations concerning the substantiation requirements for



charitable contributions ([see the chart below for details](#)). The charitable contribution rules have been simplified in some areas; record-keeping requirements remain in effect.

have the person to whom the donation is made sign in Part IV to acknowledge the contribution. As a service to donors, the PTA may want to remind them to use this form.

noncash charitable contributions – IRS form 8283

It is the obligation of the donor to obtain IRS Form 8283 (Noncash Charitable Contributions) and

special valuation issues

When you provide a donor with something that is not commercially available, you may estimate the value by referring to the value of similar goods or services.

documentation requirements for charitable contributions

	up to \$75	over \$75 & up to \$250	over \$250 & up to \$500	over \$500 & up to \$5,000	over \$5,000
Canceled check acceptable for donor's deduction	Yes	Yes	Yes	Yes	Yes
Contribution or receipt required for deduction	Yes	Yes	Yes	Yes	Yes
Form 8283 required	No	No	No	Yes	Yes
Independent qualified appraisal and appraiser's signature on Form 8283 required	No	No	No	No	Yes
Nondeductible portion must be identified on ticket or solicitation	No	Yes	Yes	Yes	Yes

theft, fraud and embezzlement guidelines

overview

It is hard to acknowledge that theft, fraud and embezzlement are pervasive in today's society. In many cases, the person who commits these acts is someone you know, like and trust. Convincing a not-for-profit to prosecute is often difficult. A not-for-profit's duty to its members, the community and its donors are significant and this should have strong consideration when determining whether to prosecute or not. Managers of not-for-profit organizations must constantly be on the lookout for fraud.

Fraud costs U.S. organizations over \$400 billion annually.

The average organization loses approximately six percent of its total annual revenue to these abuses. And these abuses are perpetrated at all levels of the organization.

preventing theft, fraud and embezzlement

Every organization should have a strong system of internal controls. Internal controls are not only for large organizations; there are steps small organizations can take to protect their assets as well. They may not have enough volunteers or employees to maintain strict segregation of duties but internal controls are still possible. Without good internal controls it could take months to become aware of a problem.

internal controls

Internal controls are a set of processes designed to provide reasonable assurance regarding the reliability of financial reporting, the effectiveness and efficiency of your operations, and compliance with applicable laws and regulations.

Implementing proper internal controls provide assurance that:

- Fraud will be discovered on a timely basis.
- Perpetrators will be identified.
- A strong deterrent to improper activities is in place.
- Loss will be covered by insurance.

Good internal controls will take away the opportunity needed by desperate people to commit a crime. What will cause a normally good person to reach this point? Gambling debts, divorce, illness, drug problems, peer pressure and work layoffs are some of the reasons that are given when people are questioned about these abuses. It may be hard to take appropriate action when you have compassion for the person committing the fraud, but that should not be part of the consideration.

fraud prevention checklist

- **Open and review the bank statements** – Someone independent of the check processing should receive the unopened bank statement and review the activity before passing it on to the person responsible for the reconciliation.
 - **Reconcile bank accounts monthly** – The importance of bank reconciliations should not be overlooked; they should be completed monthly and presented to the executive committee, finance committee or similar committee. Question unexplained reconciling items.
 - **Verify account transfers** – Work with the bank to set up a system of verifications of account transfers.
 - **Provide appropriate system access** – Make certain everyone has system access to perform
- their duties, but access should be limited to what they need to do their job.
 - **Verify cash logs** – Verify cash receipts with the cash log and with the bank deposit slips.
 - **Re-count cash** – Have a second person involved in verifying the cash count.
 - **Make timely bank deposits** – It is the association's money, and they should have access to it as soon as possible.
 - **Review the accounts payable vendor list** – Review periodically for suspicious names and addresses. Protect checks. Store checks in a secure area, never pre-sign checks, limit the number of check signers and bank accounts, use pre-numbered checks, watch for missing checks or checks used out of sequence, and do not make checks payable to cash.
 - **Document bills and requests for payment** – Mark invoices as paid and file them in a timely fashion.
 - **Do not pay a photocopied or altered invoice**; the description of service on an invoice should be clear and understandable. Do not make unauthorized refunds.
 - **Prepare regular financial statements** – Financial information should always be timely and complete.
 - **Ask for proof of payment** – Ask for proof of timely tax payments or other payments such as sales tax and incorporation fee.
 - **Ask for proof of filing** – The association is required to file a Form 990 and/or other legal documents, ask for proof of timely filing.
 - **Prepare a budget** – Use your budget as a control document

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theft, fraud and embezzlement guidelines, con't.

for comparison to actual expenditures.

- **Do not be afraid to ask questions.** Do not assume you are the only one that does not know the background of a transaction. If you do not understand the answer, ask for further clarification. If you are a board member, you have a fiscal responsibility for keeping the association healthy and ongoing.

PTA-specific warning signs

- Treasurer's report delayed or non-existent
- Budget monitoring reports delayed (may be part of the treasurer's report)
- Delayed deposits of cash receipts
- Missing supporting documents
- Multiple corrections to the cash book
- Checks bouncing when there should be sufficient cash
- Lifestyle or behavior changes of staff or volunteers

reasons why some PTAs find it difficult to report fraud

- Many associations fear the effects of negative publicity if they file an official report of insider theft.
- A not-for-profit may be threatened with civil action by the offender for defamation if public statements are made.
- In many cases, the offender has children in the school and the organization may not want to cause them embarrassment.
- Concern for personal safety if the abuser becomes aggressive.

the cost of not prosecuting fraud

Not pursuing action sets a precedent that may cause additional

fraud later on or create an environment that encourages fraud rather than deters it.

This may cause loss of credibility and respect for the association among the members, community, partners and donors.

Lack of prosecution may void the insurance policy.

Fraud can have a significant impact on your association. It can lead to:

- Financial loss
- Costly investigation (in actual dollars and time lost)
- Lost opportunities
- Damaged reputation
- Damaged relationships with vendors, partners, members and the community
- Donor loss
- Litigation

As soon as a PTA unit suspects any type of fraud, the PTA should fill out and send a Financial Discrepancy form (**see Section 5B - Insurance**) to their region director and the NYS PTA Treasurer. NYS PTA and the insurance provider will guide the PTA through the process of collecting information for the investigation.

Do not be afraid to talk about fraud; make it well known that theft will not be tolerated and that prosecution may result. Promote

safeguards to reduce incidents of fraud and encourage people to come forward if they suspect irregularities.

suspected fraud action step by step

- Have a written policy with procedures describing how incidences will be handled.
- New York State PTA insurance requires a police report/prosecution to recover a loss. It may not cover losses if you do not have written controls in place or if controls are not followed. Many times this is grounds for denying a claim.

steps to take for suspected fraud or theft

- Contact your region for assistance.
- Do not make accusations.
- Determine what other access the suspect has, what other types of fraud schemes the suspect could have perpetrated, the likelihood of collusion, the possible duration of the schemes discovered.
- Document all allegations.
- Gather facts, documents and interviews.
- Identify all bank accounts involved and consider closing or freezing the accounts. Follow steps in the policy developed to cover such matters.
- Contact the authorities.
- Contact insurance company.
- If it is determined that fraud did occur, the PTA should file an official report with the police department, and file the Financial Discrepancy form.



PTA financial management checklist

Name of PTA/Unit Code _____

Name of Treasurer _____

Street Address _____ Name of President _____

City/State/ZIP _____ Fiscal Period/Year _____

purpose

This checklist is designed to provide general guidance to PTA volunteer leaders in the management of their resources. Most of the fiscal planning and control items are appropriate for PTAs at the local, council, district, region or state level. Stewardship of other people’s money is an important part of volunteer activity and requires systematic and ongoing attention.

directions

At least annually, possibly at the time of the financial review, a complete review of financial management practices should be completed. The following checklist provides an outline and written record for this annual financial management checkup. The completed checklist should be filed with the annual audit and kept with the permanent financial records.

I. budgeting

The PTA budget is a financial guide. It is a statement showing a plan for obtaining funds and for allocating those funds to meet the needs and commitments of the PTA’s annual activities.

- Is a budget committee preparing the preliminary budget?..... Yes No
- Is the preliminary budget based on all necessary information (membership estimates, other sources of income, expense needs, current financial conditions, knowledge of the previous year’s income and expenses, etc.)? Yes No
- Does the budget show all sources of income, totaled and balanced, against all total expense categories? Yes No
- Has the budget been formally adopted by the appropriate body (i.e., general membership, board, convention delegates)? Yes No
- Have appropriate and necessary methods been put in place to implement the budget? Yes No
- Is there a method to record and report monies received? Yes No
- Is there a method to record and report monies spent? Yes No
- Is there a method to record and report monies committed but not yet spent? Yes No
- Is there a method to move funds from checking to savings accounts, and vice versa? Yes No
- Are policies in place to permit changes to budget line items as needed during the fiscal year? Yes No
- Are regular monthly financial reports, such as revenue and expense status, budget comparisons, fund balances, etc., made to the appropriate body (e.g., executive committee, board)? Yes No
- Are provisions made for a complete audit of PTA funds at the close of the fiscal year? Yes No
- By an outside accountant or certified public accountant? Yes No
- or by elected/selected PTA audit committee? Yes No
- Are completed audit reports summarizing cash received and cash spent verified and signed? Yes No

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PTA financial management checklist, con't.

- Are these reports communicated to the appropriate body (i.e., membership, board, convention delegates)? Yes No
- Has a copy of the audit been filed with the state PTA office, if required? Yes No

II. financial controls

Financial reporting, accounting, and internal controls permit PTAs to provide to members the necessary accountability for funds. This section calls attention to several topics regarding needed stewardship of PTA funds.

- Are all PTA monies kept separate from school, personal, or other organizations' funds? Yes No
- Is an accounting system with an accurate record of the expense and receipt transactions of the PTA maintained? Yes No
- Are the state and national portions of membership dues and required information sent to the appropriate PTA office on time? Yes No
- Are purchase requisitions (vouchers, purchase orders, or warrants) required to initiate expenditures? Yes No
- Are the purchase orders signed by the authorized people? Yes No
- Are purchase orders checked against the budget authorizations? Yes No
- Are purchase orders matched against orders and invoices prior to payment of claims? Yes No
- Is there a time limit for requesting reimbursement for valid claims? Yes No
- Are authorized claims paid in a timely manner? Yes No
- Is there a policy that prohibits the signing of blank checks? Yes No
- Are all checks signed by at least two authorized people? Yes No
- Are checks numbered in sequence and any missing checks researched? Yes No
- Are all bank signatory cards up-to-date with at least three signatures that have been approved by the board? Yes No
- Are at least two people involved in the processes of keeping financial records, depositing revenue, issuing checks, and handling cash? Yes No
- Are all funds deposited in a timely manner? Yes No
- Are bank reconciliations performed each month by individuals other than those who are authorized to sign checks? Yes No
- Are there processes to cross check credit card transactions against purchase authorizations? Yes No
- Are checking accounts (or, where applicable, savings or investment accounts) maintained to ensure full earnings on PTA funds? Yes No
- Does your PTA have any salaried staff? Yes No
- If salaried staff are employed, are appropriate amounts for state and federal taxes, Social Security, etc., withheld? Yes No
- Are the withheld monies and the employer contribution to Social Security forwarded to the appropriate government agencies as required? Yes No
- Are quarterly reports filed as required and within the proper deadlines? Yes No

PTA financial management checklist, con't.

**If your PTA has chosen to use credit cards after weighing the risks -
Do internal controls exist to prevent or limit fraud?
Is there a limit on the card?
Is the statement reviewed by a non-card holder monthly?**

III. insurance

- Has the PTA insurance bill been paid for the next school year? Yes No
- Are copies of all Financial Discrepancy and Incident Reports maintained with the permanent PTA records? Yes No

IV. IRS and tax forms

While PTAs are frequently exempt from federal and state taxes, there remain obligations to file appropriate requests for exemption and to report financial transactions.

- Is the association exempt from federal income tax under the IRC, Section 501(c)(3)? Yes No
- Is the state PTA group exemption number on file? Yes No
- New York State PTA Group exemption number is 1258
- Is the IRS letter of ruling on the tax-exempt status (Letter of Determination) of the PTA kept in the permanent records? Yes No
- Has an IRS Employer Identification Number been secured, and is it on file in the state PTA office? Yes No
- If not, has the PTA filed IRS Form SS-4 (Application for Employer Identification Number)? Yes No
- Is the New York State Sales Tax exempt number on file (Form ST-119.1) Yes No
- Has the IRS Form 990, 990-EZ (with Schedule A), or E-Postcard been filed with the IRS? (See page 49 for more information) Yes No

This checklist should be completed annually, and any outstanding issues should be resolved or corrected.

File this checklist with the annual audit and keep it with the permanent financial records.

instructions for IRS form 990-EZ

overview

These instructions are intended to help clarify and supplement the Instructions for Form 990-EZ as published by the IRS. They are not intended to replace those instructions. Both the form and the IRS instructions are available on the IRS website ([IRS.gov](https://www.irs.gov)), or call the IRS at (800) TAX-FORM (829-3676) to have them mailed to you.

If you have questions or need additional assistance, please call your state PTA office or National PTA headquarters.

items A – L

A. Fiscal year – The fiscal year should be stated in the PTA bylaws and is the 12-month period used to set the activities and budget year of the PTA; for example, July 1, 20XX, through June 30, 20XX.

B. Check if applicable – Check the appropriate box to indicate the type of return: initial return, final return, amended return, or change of address.

C. Name, address – If the Form 990-EZ has a preaddressed mailing label, please attach that label in this box. If there is no preaddressed mailing label, insert the name and address of the PTA.

D. Employer identification number – If there is a preaddressed mailing label, no entry is necessary in this space. If there is not a preaddressed mailing label, insert the PTA’s employer identification number.

E. Telephone number – If the PTA does not have an assigned phone number, use the PTA president’s phone number.

F. Four-digit group exemption number – If a local PTA has exemption under the state PTA group exemption, enter **1258** here.

G. Accounting method – Normally, local PTAs would check the box marked “Cash.”

H. For organizations receiving \$5,000 or more, in money or in kind, from any one contributor during the year – there are some special rules that apply. See instructions for Schedule B before answering.

I. Website – Give the association’s Web address or write “N/A” if one is not available.

J. Type of organization – Check the first box. PTA is a 501(c)(3)

Beginning in 2008, all tax-exempt organizations, regardless of gross receipts, are required to file some form of information return.

K. Gross receipts less than \$50,000 – If the PTA’s annual gross receipts are normally less than \$50,000, check this box. The PTA is not required to complete the rest of this form. Instead file Form 990-N. (To help determine if the PTA’s receipts are normally less than \$50,000, refer to the General Instructions B.)

L. Enter gross receipts – Add lines 5b, 6b, and 7b to line 9. If gross receipts are \$200,000 or more and/ or total assets are \$500,000 or more, you must file Form 990 instead of Form 990-EZ.

instructions for IRS form 990-EZ, con't.

Part I: revenue, expenses and changes in net assets or fund balances

- Line 1** PTAs may have some income to be entered on this line. Carefully read the IRS instructions to help make that determination.
- Line 2** Enter any income generated from program services. Program services are primarily fees for service activity.
- Line 3** The membership dues collected by the PTA would be entered on this line. Please note: Do not include the portion of membership dues that is sent to New York State or the National PTA.
- Line 4** If the PTA earned interest on a savings account, certificate of deposit, or other investment, that interest income would be entered on this line.
- Lines 5a,5b, 5c** Usually, local PTAs would not have entries on these lines.
- Line 6** Check the box for gaming if any special-event amount is from gaming. Gaming includes, but is not limited to, bingo, raffles, casino nights and coin-operated gambling devices.
- Line 6a** Income entered on this line would be from activities that were not included on line 1 and that did not involve the sale of merchandise. Income on this line is from special fundraising events and activities whose primary purpose is to raise funds.
- Line 6b** Any expenses incurred from the activities reported on line 6a would be entered on this line.
- Line 6c** Subtract line 6b from line 6a.
- Line 7a** Income entered on this line would be from activities involving the sale of merchandise or a product (e.g., T-shirts, pizza, books) and would be income that is not included on line 2 or line 6a minus returns and allowances.
- Line 7b** Any expenses incurred from the activities reported on line 7a would be entered on this line, including the cost to the PTA to purchase the product or merchandise that the PTA resold.
- Line 7c** Subtract line 7b from line 7a.
- Line 8** Any income not already reported would be entered on this line. A description of that income must be included.
- Line 9** Add together lines 1, 2, 3, 4, 5c, 6c, 7c and 8 and enter the total on this line.
- Line 10** If the PTA distributed some of its funds in the form of grants, that amount would be entered on this line.
- Line 11** A PTA should not have an entry on this line.
- Line 12** A PTA would, generally, not have an entry on this line unless it was an employer.

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instructions for IRS form 990-EZ, con't.

- Line 13** If the PTA paid for accounting, legal or other services or made payments to individuals who acted as independent contractors in providing services to the PTA, those expenses would be entered on this line. If payments were made to an independent contractor, the PTA may need to file a Form 1099-MISC. Do not include the portion of membership dues that is sent to New York State PTA.
- Line 14** A local PTA most likely would not have an entry on this line.
- Line 15** Enter amounts for the types of expenses outlined, if those expenses can be determined. (If the PTA publishes a newsletter, those expenses would be entered here.) Do not include any expenses already included on lines 6b and 7b.
- Line 16** Any expense not already included in this report should be entered on this line. A description will have to be attached. (See example below.)

Schedule for Part I, Line 16			
(Name of PTA) (Employer Identification Number)			
Program expenses	960	Insurance	200
Supplies	180	Lobbying expenses	220
Meeting and convention.....	581	Total other expenses.....	\$2,141

- Line 17** Add together lines 10, 11, 12, 13, 14, 15 and 16 and enter the total on this line.
- Line 18** Subtract line 17 from line 9. If line 17 is more than line 9, enter the difference between the two amounts in parentheses.
- Line 19** The entry on this line would be from last year's Form 990-EZ. It would be the same as the "carry forward" from last year to the beginning of the current year.
- Line 20** A PTA should not have an entry on this line.
- Line 21** Add together lines 18, 19 and 20 and enter the total on this line.

Part II: balance sheets

- Line 22(A)** The entry on this line should be the total of all the PTA's funds in its checking and savings accounts or other investments at the beginning of the current year – which is the same as at the end of last year. This amount should be the same as line 19 (if the accounting method specified in item G is cash).
- Line 22(B)** The entry on this line should be the total of all the PTA's funds in its checking and savings accounts or other investments at the end of the current year. This amount should be the same as line 21.
- Line 23(A) and 23(B)** Usually, a local PTA would not have an entry on this line.

instructions for IRS form 990-EZ, con't.

- Line 24(A) and 24(B)** Usually, a local PTA would not have an entry on this line.
- Line 25(A)** Add together lines 22(A), 23(A) and 24(A) and enter the total on this line.
- Line 25(B)** Add together lines 22(B), 23(B) and 24(B) and enter the total on this line.
- Line 26(A) and 26(B)** Usually, a local PTA would not have an entry on this line. However, if there is a balance due to the state PTA for state and national dues, that amount would be entered here.
- Line 27(A)** Subtract the entry on line 26(A) from the entry on line 25(A).
- Line 27(B)** Subtract the entry on line 26(B) from the entry on line 25(B). Please note: The entry on line 27(B) must agree with the entry on line 21.

Part III: statement of program service accomplishments

This is a very important part of the 990-EZ. This should be a thoughtful collaboration of the executive leadership. Funders pay particular attention to this area. Review the IRS instructions very carefully. The following are examples of programs:

- Line 28** Parent Involvement. Add together all expenses related to this program service and enter them under “Expenses” on line 28a. Fully describe the types of services provided. Include any expenses in the form of grants in the space provided.
- Lines 29, 30, and 31** Same instructions as for line 28.
- Line 32** Add together the “Expenses” from lines 28a, 29a, 30a and 31a and enter that total on this line. Please note: The total does not have to equal the total amount of expenses listed on line 17.

Part IV: list of officers, directors, trustees and key employees

List each and every officer and board member of the local PTA. Attach a separate sheet of paper if necessary. In columns C, D and E, a PTA would usually enter a zero.

Part V: other information

- Line 33** PTAs would usually answer “No.”
- Line 34** PTAs would usually answer “No.” Examples to answer yes would be changes in bylaws, etc.
- Line 35a** PTAs would usually answer “No.” If the answer is “Yes,” you are required to file Form 990-T to report unrelated business income.
- Line 36** PTAs should answer “No” unless the PTA is dissolving.
- Line 37a** Enter a zero.

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instructions for IRS form 990-EZ, con't.

Line 37b	PTAs should answer “No.” A 501(c)(3) organization will lose its tax-exempt status if it engages in political activity.
Line 38a	PTAs should answer “No.” They should not be engaged in this activity.
Line 39a and 39b	No response is required.
Line 40a	Enter the amount of excise tax paid for each section: 4911 (excess lobbying expenditures), 4912 (disqualifying lobbying expenditures), 4955 (political expenditures). The amount in each should be zero for local PTAs.
Line 40b	Refer to “Excess Benefit Transactions,” on page 32 of this guide, for a definition of excess benefit transaction. Local PTAs should enter “No.”
Lines 40c, 40d, and 40e	Should be zero for local PTAs.
Line 41	Insert state name if required.
Line 42a	List the name, phone number and address of the current treasurer.
Line 42b	PTAs would usually answer “No.” Line 42c PTAs would usually answer “No.”
Line 43	No response is required.
Line 44	PTAs would usually answer “No.” to all.
Line 45a, 45b	PTAs would usually answer “No.”
Line 46	PTAs would usually answer “No.”
Line 47	PTAs would answer “No.”
Line 48	PTAs would answer “No.”
Line 49	PTAs would usually answer “No.”
Line 50	This line is only applicable to PTAs with highly paid staff (greater than \$100,000 per calendar year).
Line 51	This would not be applicable for most PTAs.
Line 52	Answer “Yes” and attach Schedule A.

Sign and date the return. It should be signed by the president in office at the time of the filing.

PTAs exempt under Section 501(c)(3) must also complete and file Schedule A. PTAs exempt under Section 501(c)(3) may be required to complete and file Schedule B. The completed Form 990-EZ must be mailed to the IRS service center by the 15th day of the fifth month following the end of the PTA’s fiscal year. In some cases, PTAs may also be required to file schedules B or G or form 990-T.

instructions for IRS form 990-EZ, con't.

RETAIN A COPY OF THE COMPLETED Form 990-EZ FOR THE PTA's PERMANENT RECORDS. You should also forward a copy to your region or New York State PTA office, if requested.

Schedule A (Form 990 or 990-EZ):

Schedule A must be filed with forms 990 and 990-EZ.

Schedule A provides the IRS with information that is generally not available on Form 990 itself. The schedule is focused on determining whether the organization's actions during the past year were consistent with its tax-exempt status. If they were not, the entity's tax exemption may be at risk. Given the importance of this issue, the completion of Schedule A should not be taken lightly by those organizations required to file it.

Schedule B (Form 990 or 990-EZ): is schedule B necessary?

Most PTAs in New York State do not need to file Schedule B.

To determine whether your PTA is required to file Schedule B, first complete your PTA's Form 990-EZ or 990. If the total of line 1 on 990-EZ or line 1d on 990 and the membership dues on line 3 is greater than 33 1/3 percent of total revenue (see line 9 on 990-EZ and line 12 on 990), then your PTA will be required to file Schedule B.

Example: Line 1 – Contributions, gifts, grants, and similar amounts received: \$1,000 – plus line 3 – Membership dues and assessments: \$1,200 – is 54.2 percent of line 9 – Total revenue: \$4,062. Since 54.2 percent is greater than 33 1/3 percent, this PTA cannot mark the box in item H. Instead, this PTA will need to file Schedule B.

Next, determine whether any one contributor has given the greater of \$5,000 or 2 percent of line 1 on 990-EZ or 1d on 990. For instance, if line 1 is \$50,000, 2 percent is \$1,000. This PTA would fill out Schedule B for any contributor who gave \$5,000 (the greater amount) or more for the entire year. If no one contributor gave the greater amount, then Schedule B would be attached to the Form 990-EZ or 990, with "N/A" noted in Part I of the schedule. No other information would be needed.

Please note: Schedule B is not a substitute for the list of contributors required for Part IV-A (Support Schedule) of Schedule A. Also, Schedule B is not open to public inspection and should not be furnished when a request for a copy of the Form 990 is fulfilled.

Please refer to the IRS instruction booklet for Schedule B for line-by-line instructions on how to complete Schedule B.

Form 990-EZ
Short Form Return of Organization Exempt From Income Tax
 Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)
 Sponsoring organizations of donor advised funds, organizations that operate one or more hospital facilities, and certain controlling organizations as defined in section 512(b)(13) must file Form 990 (see instructions). All other organizations with gross receipts less than \$200,000 and total assets less than \$500,000 at the end of the year may use this form.
 The organization may have to use a copy of this return to satisfy state reporting requirements.
 OMB No. 1545-0047
2012
Open to Public Inspection
 For the 2012 calendar year, or tax year beginning _____, 2012, and ending _____, 20____
 Check if applicable:
 Address change
 Name change
 Initial return
 Terminated
 Amended return
 Application pending
 Accounting Method: Cash Accrual Other (specify) _____
 Website: _____
 Tax-exempt status (check only one) – 501(c)(3) 501(c) () (insert no.) 4947(a)(1) or 527
 Check if applicable:
 If the organization is not a section 509(a)(3) supporting organization or a section 527 organization and its gross receipts are normally more than \$50,000, a Form 990-EZ or Form 990 return is not required though Form 990-N (e-postcard) may be required (see instructions). If the organization chooses to file a return, be sure to file a complete return.
 If lines 5b, 6c, and 7b, to line 9 to determine gross receipts. If gross receipts are \$200,000 or more, or if total assets (Part II, lines 25, column (B) below) are \$500,000 or more, file Form 990 instead of Form 990-EZ.
1 Revenue, Expenses, and Changes in Net Assets
 Check if the organization is a:

lobbying

overview

The NYS and National PTA and their constituent associations may propose, support, or oppose legislation needed to achieve the purposes of the PTA and the legislative program – provided that those activities do not exceed the limitations established by the federal tax laws governing such organizations’ tax-exempt status. Keep accurate records of the amounts of time and money spent and the nature of volunteer activities. These records will help your PTA monitor its activities to stay within IRC limitations, as well as complete any reports required by the IRS.

PTAs may not:

- **Endorse candidates or a political party for public office.**
- **Invite only one candidate or political party in an election to speak to the PTA.**
- **Ask candidates to sign pledges on any issue (tacit endorsement).**
- **Tell PTA members to only vote for a candidate who supports “X” position.**
- **Distribute any campaign materials on behalf of a candidate.**
- **Wear campaign buttons or t-shirts during a PTA meeting.**

501(h) election vs. substantial part test

The expenditure test (referred to as the 501[h] election in this document) details what lobbying is and what it is not, and sets up precise measures of compliance based solely on the association’s tax-exempt purpose expenditures. The substantial part test applies

to PTAs that have not made the 501(h) election. Under the substantial part test, in order for a PTA to be recognized as being tax-exempt under IRC Section 501(c) (3) and to receive tax-deductible contributions, it may not devote more than an insubstantial part of its activities (generally interpreted as not exceeding 5 percent of gross income) to influence legislation.

Effective July 1, 1994, National PTA’s Board of Directors voted to have its legislative activities governed by the expenditure test, rather than the substantial part test. The substantial part test is vague, subjective, and difficult to comply with because there is no clear delineation of how much lobbying is excessive or the amount of money that can be spent in regard to those activities.

The 501(h) election made by the National PTA does not apply to state, region, council or local PTAs, who remain under their current IRS lobbying status unless they also choose the 501(h) election.

In addition, the IRS has issued a ruling specific to the National PTA that can be used by state and local PTAs if they choose to make the 501(h) election. Under this ruling, the IRS has deemed that the national, state and local entities of PTA are separate for purposes of reporting lobbying expenses as they pertain to compliance with the expenditure limitations.

If a PTA wishes to have its legislative activities governed by the 501(h) election, it should confer with an appropriate tax professional before making the decision.

appropriate legislative activities

National PTA and its constituent associations may support or oppose legislation and policies affecting children and youth to the extent allowed by their tax-exempt status. Historically, much of the legislation protecting the health, education and well-being of children and youth owes its existence to PTA support.

To stay within the permissible limits placed on it by its tax-exempt status, a PTA should focus the larger part of its legislative activities on educating and preparing members to exercise their individual and association rights. Therefore, state, region, district, council and local PTAs can and should have legislative committees that share information with the membership. Every PTA should be part of the united effort working within the state and across the nation on behalf of children and youth.

educating

The following are legislative activities that do not count as lobbying because they are considered educational:

- Analyzing and reporting on passed, pending or needed legislation (a) with members or (b) by invitation with government agencies.
- Reporting state and national PTA positions to PTA members.
- Adopting and reporting local PTA position statements about legislation or policies
- Researching an issue without bias toward one side or the other

PTA resources

frequently asked questions

If you have a question about the finances in your organization, contact your state PTA or National PTA headquarters. Following are answers to some of the more frequently asked questions.

Q Does a PTA or school hosting a movie night need to pay a special charge or receive a special permit?

A Yes. Movies are protected by copyright. A special license must be purchased to show movies to large groups. Movies shown in schools are not considered educational events. Go to the Movie Licensing USA website, www.movlic.com/k12/index.html, for more information. Movie Licensing USA is the sole licensing agent for most of the major studios.

Q Can our PTA donate money to other not-for-profit organizations?

A If permitted by the PTA bylaws, the PTA can vote to donate its funds to a not-for-profit organization. The recipient must be a 501(c)(3) not-for-profit organization and must have a mission similar to PTA's, that is, it must be school- or child-related. Units should not donate to individuals, such as a fund for a child needing an organ transplant, because the PTA mission focuses on all children.

Q Where can I find a list of what we can and cannot spend money on?

A There is no published list from either the National PTA or the IRS. Your mission and your 501(c)(3) (tax-exempt) status should guide your decisions. Expenditures from the PTA budget must support the PTA mission. If there is a question about an expenditure, a good rule of thumb is to authorize the expenditure only if you could defend the expense to the IRS in case of an audit. You can find additional resources that address this issue on the IRS website.

Q What if the IRS contacts me?

A Whenever the IRS contacts you, read their letter carefully. Contact your region PTA and send a copy of the letter immediately. Be certain you understand their request or concern. Gather all of the facts related to the issue or concern addressed in their letter. **Mark the deadline issued in the letter and do not miss it.** In the past, New York State PTA has been able to contact the IRS on your behalf. This is no longer an option. Your region and New York State PTA can advise you prior to contacting the IRS. Contact the IRS, if necessary, and ask for clarification if the request or issue is not clear to you. Be certain to get the name and serial number of the agent assisting or answering your questions. Take notes of the conversation; the agent with whom you are speaking is taking notes and recording the call.



Once you are certain you understand the issue or concern raised by the IRS, clearly address the issue as calmly and on-point as possible. Do not digress. Once you have addressed the IRS's issue or concern, state clearly what you want in return. For example, if the IRS's letter states that you have not filed a 990 and they want you to pay a large fine, you need to provide copies of the 990 if you filed it, or the reason why you didn't file. Then you can request an abatement of the fees.

Be prepared to address a minimum of three letters regarding this issue before a resolution is found. But don't panic or lose hope. If you are in the wrong, explain what happened, show what you did to correct the problem, and reassure them that it won't happen again.

Make sure that all correspondence sent to the IRS is mailed with "return receipt," and retain the receipt and the returned card with your correspondence.

contact us

For additional resources on managing your PTA finances, visit National PTA at www.pta.org or New York State PTA at www.nyspta.org.

letter to clarify school vs. PTA funds

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March 18, 2011

National PTA Headquarters
1250 N. Pitt Street
Alexandria, Virginia 22314

Ladies and Gentlemen:

As you know, we serve as legal counsel for the National PTA. You have informed us that, from time to time, school personnel and other government representatives seek to assert control over or direct the use of funds of local PTAs. The purpose of this letter is to describe the structure of local PTAs and to confirm that they represent independent nonprofit entities which are subject to direction only by their state PTA and the National PTA.

The PTA has a tri-level structure: National, state and local. The National PTA is a nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It has established affiliates in all states to establish and direct local PTAs. Both the National PTA and the state PTAs have established strict procedures for chartering PTAs at the local level. Local PTAs are also nonprofit entities exempt from federal income tax.

Local PTAs are not supporting organizations, clubs or booster groups for any schools. They are separate legal entities which further the PTA mission of providing parents and families with a powerful voice to speak on behalf of children. Local PTAs work in harmony with school personnel, but they are not part of any school and are not subject to direction or control in any manner by school personnel.

We trust this explanation clarifies the status of local PTAs and will prevent misunderstanding in the future.

Sincerely,



Paula Cozzi Goedert
Partner

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