

parents
teachers
students
& community
are the **basics**
of every PTA

treasurer
resource guide
2015-2016



Comm**you****nity**

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ABOUT PTA

VISION

Every child's potential is a reality.

MISSION

To make every child's potential a reality by engaging and empowering families and communities to advocate for all children.

PURPOSES

- To promote the welfare of children and youth in home, school, community and place of worship.
- To raise the standards of home life.
- To secure adequate laws for the care and protection of children and youth.
- To bring into closer relation the home and the school, that parents and teachers may cooperate intelligently in the education of children and youth.
- To develop between educators and the general public such united efforts as will secure for all children and youth the highest advantages in physical, mental, social and spiritual education.

PTA VALUES

- **Collaboration:** We will work in partnership with a wide array of individuals and organizations to broaden and enhance our ability to serve and advocate for all children and families.
- **Commitment:** We are dedicated to children's educational success, health, and well-being through strong family and community engagement, while remaining accountable to the principles upon which our association was founded.
- **Diversity:** We acknowledge the potential of everyone without regard, including but not limited to: age, culture, economic status, educational background, ethnicity, gender, geographic location, legal status, marital status, mental ability, national origin, organizational position, parental status, physical ability, political philosophy, race, religion, sexual orientation, and work experience.
- **Respect:** We value the individual contributions of members, employees, volunteers, and partners as we work collaboratively to achieve our association's goals.
- **Accountability:** All members, employees, volunteers, and partners have a shared responsibility to align their efforts toward the achievement of our association's strategic initiatives.

PROCEDURE BOOK

A procedure book serves as a permanent record of activities and ensures an ongoing PTA program of work. It contains materials and information needed for the job. When compiling your procedure book, ask yourself, “If I knew nothing about the job, could I do it with this procedure book?”

A PROCEDURE BOOK:

- is vital to the effectiveness of an on-going chair;
- is a record of a year’s plans and activities;
- keeps you organized and focused; and
- makes tasks easier for those who follow you.

HOW TO COMPILE A PROCEDURE BOOK

- Use a loose-leaf folder or notebook.
- Separate sections with tabbed dividers.
- Include Suggested Table of Contents (see following).
- Additionally, keep all correspondence and records in CD and flash drive format to keep better records of past and current activities.
- Note: Be sure to turn over the procedure book and all CD/flash drive records of past works to the new chair at the completion of your term in office.

SUGGESTED TABLE OF CONTENTS

DIRECTORY

- Your name, address, telephone number and year served
- Address of Texas PTA Office and telephone number
- Address of National PTA Office and telephone number
- Name, address and telephone number of Local PTA president and board members
- Name, addresses and telephone numbers of Council and Texas PTA officers or chairs with comparable responsibilities
- Names, addresses and telephone numbers of committee members
- Resource people, related agencies and organizations in the community

JOB DESCRIPTION

- Responsibilities of your job
- Month by month “To Do” List

PLAN OF WORK

- Copy of approved Plan of Work

FINANCIAL REPORTS/FORMS

- Local PTA Budget
- Treasurer's Reports
- Voucher forms
- Tax exempt forms
- In-depth breakdown of expenditures for your job

BYLAWS/STANDING RULES

- A current copy of the Local PTA bylaws and Standing Rules (a copy of these items can be requested from Texas PTA)

EVENTS, PROJECT, PROGRAM

- List on separate pages each event, project and/or programs including dates, responsibilities, expenses and an evaluation form.

REPORTS

- Reports – include reports given by your office (list each title separately)
- Forms – include all forms sent by your office for awards at Council, Texas or National PTA

VOLUNTEER HOURS

- Use a calendar to keep track of your hours and turn them into the volunteer coordinator.

PTA MATERIALS

- Handouts and updates received from Texas PTA, Council and Local PTAs
- Agendas and minutes

EVALUATIONS

- What were your successes? Why?
- What projects failed? Why?
- What person, groups, materials were most helpful?

RECOMMENDATIONS

- This section should contain any recommendations to your successors.

PLAN OF WORK

At the beginning of each term all board members are required per the bylaws to complete and present a Plan of Work to the board for approval.

A Plan of Work is a detail list of all goals and expenses that a board member has for their term of office. Plans of Work must be approved before any expenses can be incurred for a position.



Plan of Work Plan de Trabajo

Officer/Chairman Name:

(Nombre de Oficial/Presidente de Junta) _____

Position:

(Posición) _____

Year:

(Año) _____

Reproduce as needed for the appropriate number of goals.

(Se puede reproducir para metas adicionales.)

Responsibilities/- Duties: (Responsabilidades)		Committee Members: (Miembros del Comité)	
Goal: (Meta)		Evaluation Process: (Proceso de Evaluación)	

Specific Action Steps (Proceso Especifico de Acción)	Start Date (Fecha de Empezó)	Completion Date (Fecha de Terminación)	Budget (Presupuesto)

Resources: (Recursos)	
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POSITION RESPONSIBILITIES

The treasurer is the authorized custodian of the funds of the association and should serve as chair of the Budget and Finance Committee.

The treasurer is an authorized signer on all bank accounts. Many school districts do not permit employees to be signers on the bank account even if they are officers of the association. Check with your school district about their specific volunteer policies. We encourage PTAs to adopt a policy outlining the requirements for check signers.

It is strongly recommended the PTA purchase a fidelity bond to insure the treasurer and all other persons authorized to handle funds of the association. The bond should be in an amount based upon the PTA's annual income and determined by the executive board.

PRIMARY DUTIES

- Study all references to duties and finances in the PTA bylaws and standing rules.
- Keep an accurate and detailed account of all monies received and disbursed.
- Keep on permanent file the PTA Employer Identification Number (EIN) assigned by the IRS, and the sales-tax permit assigned by the Texas Comptroller's office, if one has been acquired.
- Present a financial report at membership meetings and executive board meetings. The beginning balance of the treasurer's report must coincide with the ending balance from the previous meeting. If the PTA has more than one bank account, a separate financial report is prepared and presented for each account at both the executive board and membership meetings.
- Make timely deposits to a financial institution approved by the executive board of the association, and in a bank account in the name of the PTA.
- Reconcile monthly bank statements as soon as received from the assigned reviewer.
- Make disbursements in accordance with the budget adopted by the association membership. Bills should not be paid in cash. Checks cannot be written unless sufficient funds remain in the budget category to cover the expenditure. If not, a budget amendment must be approved by the membership prior to issuing the check.
- Ensure that members' names and the Texas and National PTA portions of the dues are sent to the Texas PTA State Office monthly.
- Maintain a list of assets (i.e., popcorn or snow cone machine, cash register, computer) owned by the PTA.
- Submit to the Financial Reconciliation Committee all required materials in a timely manner.
- Complete and file the appropriate 990 form on or before four and one-half months after the fiscal year ends. If authorized in the budget, a professional may be retained to prepare the 990 for the association.
- Upon leaving office, provide a detailed report of all fundraisers conducted in the current sales tax reporting period (annual or quarterly).

FINANCIAL PRINCIPALS

A general ledger showing all income and expenditures must be maintained with supporting receipts. A ledger account for each budget category is kept to reflect expenditures. The checkbook must be kept balanced and the bank statement must be reconciled to the checkbook monthly. The records are maintained based on the period defined in the records retention policy, as adopted by the membership each year.

- Only PTA funds may pass through PTA accounts.
- All PTA funds should be deposited in a financial institution approved by the executive board, and in an account in the PTA's name.
- The PTA membership must authorize the expenditure of all funds by approving and amending the budget throughout the year.
- PTAs should purchase the necessary insurance to bond all members who handle association funds and protect any physical assets of the association.
- Texas and National PTA portions of dues are never recorded as PTA income and are not included in the calculation of gross income on IRS Form 990-EZ or 990.

Cash Handling

- For the protection of both the PTA and its volunteers, PTA funds should always be counted and verified by the signature of two individuals prior to deposit, utilizing an Itemized Receipt Form that is available from Texas PTA. All signers should retain a copy of the completed form. One of the counters may be the PTA treasurer.
- Deposits should be processed as soon as possible, following receipt. If same-day or night deposits are not possible, all monies should be kept in a secure location and never at volunteer's home. A safe or vault at the school is an option for temporary security.
- Texas PTA recommends the adoption of standing rules or a policy to determine the cash handling procedures for your PTA.

Electronic Banking

- Electronic banking transactions are not permitted, other than payments to Texas PTA and the State of Texas Comptroller.
- PTAs are encouraged to work with their financial institution to provide electronic review of bank accounts, not transaccational authority, to all account signers.
- The assigned non-signer who reviews the monthly statement should have direct access via the banking website.
- If your PTA chooses to receive your bank statements electronically, ensure that you have easy access to images of any checks that clear the PTA account.
- PTAs are not permitted to have debit or credit cards issued in the name of the PTA.
- PTAs are permitted to accept payment by credit cards or other online collection systems for dues, donations and fundraising. Please review the Texas PTA Financial Procedures for Accepting Electronic Payment.

Disbursement

- PTAs should adopt a check-signing policy to determine the number of signatures required, amount thresholds and other stipulations as needed.
- Bills should never be paid with cash.
- Check signers should never sign a blank check or issue disbursement without receipts or sufficient written documentation.
- Authorized signers on the bank account(s) may not sign a check where he or she is also the payee.
- All funds donated to the school should be designated by the PTA to direct the intent of the use.
- Individuals authorized to sign on the bank account cannot be related by blood or marriage or reside in the same household.

Treasurer's Written Financial Report

The bylaws require that the treasurer present the financial report at membership meetings, executive board meetings, and other times when requested by the executive board or the association. Reports must be given at every meeting for all accounts; not just the general account. This written report indicates the period of the fiscal year the report covers, the date it was prepared, and by whom.

- Start with the balance on hand at the beginning of the year, month, or last meeting.
- List all receipts in detail and total; itemize all disbursements; and total.
- End with the balance on hand as of the date of the report.

Copies of the report are distributed to the members in attendance, when possible. This report is not adopted but filed. The reports are provided to the Financial Reconciliation Committee during the financial reconciliation process and are maintained permanently. A copy is retained by the treasurer and another copy retained by the secretary, to be placed with the minutes.

Annual Report

At the close of the Local PTA's fiscal year, the treasurer prepares an annual financial report covering the PTA's entire fiscal year. The treasurer makes 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 financial reconciliation has been completed. The annual report, as well as the financial reconciliation report, is filed with the permanent financial records and with the minutes.

The annual report looks just like the annual budget, but with year-end actual figures. It is presented in a format comparing actual figures to the approved budget as amended. Both the treasurer and secretary retain the annual report permanently.

Gift Cards/Gift Certificates

Any gift cards purchased by a PTA should not exceed \$25 in value and must be retail-specific (i.e. branded cards of restaurants, stores, etc). Generic cards (MasterCard, Visa, etc) are not permitted.

Gift cards are cash equivalents, so PTAs should exercise the same care when storing and distributing gift cards.

If a gift card is donated to the PTA for the purpose of subsidizing association expenses, complete a disbursement voucher with receipts attached for the Financial Reconciliation Committee to verify that funds were spent appropriately.

TIMELINE

UPON ELECTION

- Serve as a member of the Budget and Finance Committee
- Attend any training offered including Leader Orientation
- Work with the outgoing treasurer to become familiar with the job responsibilities and resources available (i.e., Council PTA treasurer, Texas PTA Treasurer and Texas PTA Director of Finance)

MAY-JUNE

- Arrange to have your name added as signatory on the bank account along with president and other officer (s) (typically vice president)
- Have Plan of Work approved as duties occur over the summer
- Provide sample disbursement forms, deposit slips, sales and use tax and resale exemption certificates and other financial forms to the executive board

JUNE-JULY

- Receive treasurer materials from Financial Reconciliation Committee
- Attend Texas PTA Summer Leadership Seminar
- Reconcile bank statement monthly – confirm that designated individual appointed by the president opens, reviews, dates and signs the bank statement prior to reconciliation
- Issue checks for payment or reimbursement
- Process all deposits; ensure two people count the money at the same time;

AUGUST-MAY

- Present annual report at first membership meeting of the year (will be filed with the financial reconciliation report)
- Prepare financial reports for each executive board meeting
- Prepare financial reports for each membership meeting
- Process all deposits; ensure two people count the money at the same time; issue receipt to person giving you the money
- Reimburse all expenses with appropriate documentation including receipts and committee chair's signature as authorized by the current adopted budget
- Pay all bills as authorized by the current adopted budget
- Update the ledger system (manual or computerized) as transactions occur

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- Reconcile bank statements monthly – confirm designated individual appointed by the president opens, reviews, dates and signs the bank statement prior to reconciliation
 - Collect on any checks returned for insufficient funds (NSF)
 - Propose budget amendments as they become necessary throughout the year; the budget amendments will be presented to the executive board and membership in the form of a motion
 - Ensure tax-free days are declared in either the executive board or membership meeting minutes prior to their occurrence
 - Prepare the appropriate 990 form and submit by deadline (i.e., October 15 if fiscal year ends May 31, November 15 if fiscal year ends June 30)
 - Prepare quarterly (or annual) sales tax return. If quarterly due the 20th of the month in January, April, July and October. If annual, due the 20th of January
 - Begin preparation (March/April) for proposed budget for new year as the chair (recommended by Texas PTA) of the Budget and Finance Committee
 - Present the budget to the executive board and to the membership for adoption at the annual meeting (as stated in the Local or Council bylaws), line item by line item
 - Present a preliminary annual report at the last meeting of the year.
 - Prepare annual report to be filed with the financial reconciliation report at the first membership meeting of the new fiscal year at the conclusion of current fiscal year
 - Prepare fundraising report to be given to the incoming treasurer for January – May 31 (or June 30) whichever is the end of the PTA's fiscal year at the conclusion of the fiscal year
 - Ensure the financial reconciliation committee has been formed at least thirty days before the last meeting of the fiscal year

BUDGET AND FINANCE COMMITTEE

A Budget and Finance Committee has the responsibility for developing a proposed budget for the PTA. This committee may be elected or appointed according to the Local or Council PTA standing rules and usually consists of three to five members, one of whom is the treasurer. Texas PTA recommends that the treasurer be the chair of the Budget and Finance Committee or at least a member of this committee.

The real working capital of a PTA lies in its members, not in its treasury. Although funds are necessary in order for a PTA to develop and implement its programs, the primary emphasis is focused upon the promotion of the Purposes, not upon fundraising.

The association is obligated to use its funds for the purpose for which they are raised, and this purpose is to finance PTA work. PTAs do not raise funds for other organizations.

The budget is a financial representation of the activities and operations a PTA expects to conduct during a specified time period. The budget estimates income and expenses for the fiscal year. The budget must coincide with the association's fiscal year. The fiscal year can be found in the Local or Council bylaws.

An approved budget must be in place at all times in order for expenditures to be made and fundraisers to be conducted. Therefore, a budget is developed and adopted prior to the end of the current fiscal year. Without an approved budget, there is no authorization to expend funds or to conduct fundraisers. Any funds spent without proper approval would have to be repaid to the association if the membership did not retroactively approve the expenditure. Therefore, it is essential to have a budget in place at all times. Many times, not all of your plans will be finalized prior to the end of the current year. Therefore, a budget need only include those income and expense items that have been planned at the time it is developed. This budget is adopted at the final meeting of the current year. At the first membership meeting of the new school year, the treasurer presents an amendment to the budget to change or delete any existing line items and add any additional fundraisers and expenses based upon the Plans of Work submitted to the new executive board.

Developing the Budget

The committee studies the previous year's annual report to determine how well that budget met the association's needs. Next, members determine the projected financial requirements, taking into consideration the funds needed for the approved programs, projects and leadership development. From this information, the committee proceeds to develop the budget.

The budget includes the estimated number of members times the local portion of dues, as well as estimated proceeds from each approved fundraiser. The fundraiser income line items are stated based on total deposits received from the sales. The costs (.i.e., the check remitted to the vendor) for the fundraiser are listed in the expense section of the budget. All expense categories, including the cost of merchandise sold, are estimated and included in the budget. Expense categories, such as "discretionary" or "contingency," are not used in the budget, as these do not provide a clear and transparent picture of how these funds will be expended. In addition, "special projects" or similar wording is not used. Projects are specified on the budget in order to provide full disclosure to the membership.

Approving the Budget

After the budget has been drafted, it is presented by the committee chair to the PTA executive board for consideration and then to the PTA membership for approval. 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. The approved budget must be recorded in the minutes of the association.

Amending the Budget

After the budget has been adopted, it serves as the financial guide for the fiscal year. Since the budget is only an estimate of the planned expenditures and income for the year, amendments may become necessary from time to time.

Any time budgeted items do not have sufficient funds in the line item to cover expenditure, the budget must be amended (i.e., a check cannot be written from this line item until the budget has been amended by the association at a membership meeting.) The same is true of the income items. If they do not equal or exceed the amount that was anticipated, then income amounts must be amended as well. This amendment may necessitate a reduction in some expense items to maintain a balanced budget. When there are additional expenses or changes in an allocated expenditure or income, the budget is amended by a vote of the association at any membership meeting or at a special meeting called for that purpose. Amendments require a two-thirds vote for approval.

The treasurer receives and disburses all money as indicated in the budget, as prescribed in the bylaws or as authorized by the association.

Committee Duties

1. Encourage all committee chairs to present a budget request with documentation that outlines their anticipated needs. Establish a deadline for submission. This information is included in their Plans of Work, which are approved by the executive board and then forwarded to this committee.
2. The budget shows anticipated income such as:
 - Donations – PTAs may ask members and community supporters to donate funds for a specific program or for general operations of the PTA
 - Fundraiser income – gross income from the fundraiser; each fundraiser is listed individually
 - Local portion of dues – the amount of dues that the Local PTA retains
 - Sales of merchandise – revenues collected by the PTA for any tangible product sold by the Local PTA
3. The budget shows anticipated expenditures such as:
 - Bank fees/service charges – fees assessed by the bank for monthly maintenance of the account and/or fees charged by the bank for checks returned for insufficient funds
 - Cost of merchandise sold – expenses incurred by the Local PTA for any tangible product sold by the Local PTA. The primary expense of these line items would be the payment remitted to the vendor.
 - Council PTA dues – paid by the Local PTA to the Council PTA. This payment is due by October 15.
 - Fundraiser expense – expenses incurred by the Local PTA for the fundraiser. Each fundraising expense is listed separately. The primary expense of this line item would be the payment remitted to the vendor.
 - Insurance – It is in the best interest of the PTA to have the treasurer and all other members authorized to handle funds of the association covered by a fidelity bond in an amount based upon the PTA's annual income. Other coverage such as general liability, officers' liability and property insurance as deemed necessary would also come out of this category.
 - Leadership training – expenditures for payments of delegates' expenses to Texas PTA Summer

Leadership Seminar, PTA conferences (state and national), and Council PTA workshops, and FOUNDATIONS: Leader Orientation.

- Life Membership and Past President's Pin – Funds are included for Texas PTA Honorary Life Membership and National PTA Life Achievement Award to PTA leaders and other civic leaders for outstanding service to children and youth. Other special honors include: Texas PTA Extended Service Awards, past presidents' pins and others that further the Purposes of PTA.
 - Membership Campaign supplies – purchase or printing of membership envelopes as well as any other publicity materials
 - Newsletter publishing costs – Funds are needed for the preparation of newsletters and other material explaining PTA activities.
 - Parent education and programs – Expenses may include speakers, film/video rental and associated fees for public viewing rights, materials for a PTA library, and special programs for the children and membership
 - Publications - Our Children is a National PTA publication and can be obtained through the National PTA. Funds should be set aside for resource guides, if hardcopies are needed.
 - Reimbursable committee expenses – PTA reimburses executive board members for any approved expenses, such as expenditures for the secretary and treasurer's record books, duplicating materials, office supplies, postage, and other necessary expenses of the president, officers, and chairs. Local PTAs budget for these expenses and reimburse a member upon submission of an authorized voucher or receipt. PTA funds may not be used for personal expenses; personal acknowledgements or personal use items.
 - Scholarships – details about allocating funds for student and teacher scholarships can be found on page 12 of this guide.
 - Staff Appreciation – PTA resources may be used for hospitality for staff appreciation as long as it does not represent a significant amount. Acceptable expenditures may include a staff lunch as long as the expenses follow the above guideline. PTA monies cannot be used to purchase personal gifts for any staff member. Personal gifts include gifts for baby showers, Secretary's Day, bereavements, weddings or birthdays. If the membership determines such items are necessary, the individual members can make personal donations to purchase the designated items. These donations are not commingled with PTA funds.
4. The budget shows anticipated carryover funds which represent the amount that is set aside to begin operations of the PTA for the next fiscal year, prior to the onset of fundraising activities. To calculate this amount, review the prior year's annual report to determine which operation or program expenses require funding during this transition and estimate costs for the next fiscal year.

FINANCIAL RECONCILIATION

What is a Financial Reconciliation?

Financial reconciliation involves following financial transactions through the records to be sure that receipts have been properly accounted for and expenditures made as authorized in the budget, as approved by the membership, and in conformity with the Local PTA bylaws and standing rules and Texas PTA policies and procedures. The Financial Reconciliation Committee must review all accounts of the PTA.

Composition of committee: The committee is composed of not less than three members appointed by the president subject to the approval of the executive board at least 30 days before the last meeting of the year (Local PTA Bylaws,” Article XIV).

No one who is an authorized check signer on any bank account can serve on the committee. Additionally, family members of signers on the account cannot serve on this committee due to the potential conflict of interest. It is recommended that the incoming treasurer not serve on the committee.

When a financial reconciliation is performed:

- At the end of the fiscal year;
- When any authorized check signer is added or deleted on any bank account; and
- At any time deemed necessary by the president or three or more members.

The financial reconciliation is conducted in a private area; not a public place. The information reviewed and discussed is confidential. Any current signer on the bank account is not present during the financial reconciliation. If the committee has a question about the financial records, they may contact the treasurer for clarification.

Preparing for the Financial Reconciliation

The outgoing or returning treasurer, whichever is the case, is responsible for putting the financial records in order for the committee. This treasurer delivers the following to the Financial Reconciliation Committee:

1. A copy of the last financial reconciliation report
2. The checkbook, cancelled checks and all unused checks for all accounts
3. Bank statements and deposit receipts
4. Treasurer’s books and ledgers
5. The annual financial report
6. All receipts of bills paid
7. Copies of minutes from membership and executive board meetings
8. Adopted budget as amended
9. Sales tax returns filed
10. Form 990
11. All correspondence with any taxing authority
12. Copies of all financial reports for the period to be evaluated
13. A report of all fundraising events held since the last sales tax return was filed. List dates held and if any were designated tax free days. It includes total sales, taxable sales and sales tax collected. This information is necessary for the incoming treasurer to accurately complete the next sales tax return.
14. A list of all dues-paying members and the executive board
15. Current bylaws and standing rules
16. Any other information requested by the Financial Reconciliation Committee

Once the records are turned over to the committee, the outgoing treasurer can no longer write checks. The treasurer must go to the bank immediately with the incoming treasurer and additional authorized check signers to change the signature cards. During the financial reconciliation, checks should only be written in the case of an emergency and would be signed by the incoming treasurer.

Conducting the Financial Reconciliation

- ❑ Begin the financial reconciliation with the first transaction posted after the last financial reconciliation. Make sure the beginning balance agrees with the balance on hand per the last financial reconciliation report.
- ❑ Make sure that each check written has proper substantiation, i.e., vendor invoice or check request.
- ❑ Ascertain the dates of fundraisers, and verify deposits are made timely. Check to see that two people counted the monies, the itemized receipt form was used and signed by two counters and the treasurer.
- ❑ Check all ledger entries back to the cancelled checks and validated deposit tickets. Verify that all income and expenses are allocated to the proper budget category and are within the approved budget.
- ❑ Verify that bank reconciliations are done monthly and check their accuracy.
- ❑ Verify that a non-signer has reviewed, initialed and dated all bank statements.
- ❑ Verify all checks adhere to the adopted check-signing policy and spot check endorsements.
- ❑ Check the accuracy of the math in the checkbook and ledgers if a manual system was used.
- ❑ Verify that financial reports presented to the membership and executive board are accurate representations of the transactions recorded in the books.
- ❑ Check the accuracy of the annual report and ascertain that it will be retained as a part of the permanent file.
- ❑ Check to see that checks are not being signed by the individual to whom they are made payable.
- ❑ Watch for checks with multiple handwriting (other than one of the signatures) or different inks. This would be an indication of blank checks being released.
- ❑ Confirm that no checks were made payable to “Cash.” Startup funds are made payable to a person who is responsible for the cash until it is re-deposited.
- ❑ Make sure that the Texas and National PTA portions of dues are not recorded as income to the Local PTA but kept separate or recorded as a liability. Verify that the amount sent to Texas PTA agrees to the membership roster and is submitted on a regular basis.
- ❑ Verify that all executive board members have remitted dues for the current fiscal year.
- ❑ Verify that all executive board members have signed the Conflict of Interest/Ethics Policy.
- ❑ If a 990-EZ or 990 is required to be filed, confirm that the outgoing treasurer has prepared a draft of the appropriate form and it is ready for submission once the financial reconciliation has concluded. The 990 for the past fiscal year as well as the 990 for the fiscal year being reconciled is included.

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- Determine if the Local PTA had an obligation to collect sales tax. If so, make sure returns were filed timely and accurately. If the Local PTA has a sales tax permit, returns must be filed timely even if no tax was collected during the period.
 - Make sure that money collected for a designated purpose was spent only for that purpose.
 - Check the minutes of the membership and executive board meetings to verify the following:
 1. The budget and all amendments were adopted by the membership.
 2. The membership approved all fundraisers either through approval of the budget that included them or through a special vote if added after the adoption of the budget.
 3. Financial reports were presented at all membership and executive board meetings for all accounts.
 4. Any tax-free fundraisers were so designated in the form of a motion prior to the event. The membership or executive board can do this, as the Local PTA prefers.
 5. Verify the executive board approved all Plans of Work and contracts.
 6. Verify a quorum was present at all executive board and membership meetings.
 - After the treasurer has corrected any errors and the committee is satisfied that the financial records are correct, draw a red line across the ledger and checkbook where the financial reconciliation concludes. Write “Examined and found correct” and have all committee members sign and date the entry.

Irregularities in the Records

If the Financial Reconciliation Committee finds irregularities in the records of the treasurer, follow the steps listed below:

- Contact the treasurer to secure additional records or information.
- If the matter cannot be settled to the committee’s satisfaction, contact the Local PTA president to work out what additional steps need to be taken.
- The Local PTA president can request additional guidance from the Council PTA president (if the Local PTA is in a Council PTA) or the Field Service Representative.
- A Council PTA president can request additional assistance from the Field Service Representative if the matter cannot be resolved at the Council PTA level.

Financial Reconciliation Report

A member of the Financial Reconciliation Committee makes a report to the membership at the first meeting held after the conclusion of the financial reconciliation.

The association adopts the report at that time. A copy of the annual report is attached to the financial reconciliation report, maintained permanently by the treasurer, and placed in the minutes. In the event a

complete financial reconciliation cannot be done due to the inadequacy or unavailability of the records, this fact is reported to the membership, as well, with a recommendation to adopt steps to correct the situation. In the event the validity of the financial reconciliation report is questioned, Texas PTA can be contacted for assistance, or an independent CPA could be engaged. The president or three members sign the request for state assistance for Texas PTA to become involved. The membership approves any funds to be expended prior to engaging the services of a CPA.

In reporting a financial reconciliation that finds inaccuracies in the records of the treasurer, the following statement is given at the appropriate time:

“The Financial Reconciliation Committee has examined the records of the treasurer of _____ PTA for the period (____ dates ____). The current balance on hand is \$ ____.”

*The following irregularities have been found;
(List all irregularities)*

*The following steps were taken to correct the problems:
(List all steps)*

*To prevent these types of problems from occurring in the future, we recommend the following:
(List the recommendations)*

Remember, the treasurer is legally responsible for all the funds of the association. However, the officers of the association are elected by the membership and have a fiscal responsibility to keep the affairs of the association on a sound financial basis.

IMPORTANT: Any investigation by the Financial Reconciliation Committee must be kept confidential.

INSURANCE COVERAGE

Operating a PTA is much like running a small business. Businesses need insurance to protect their investment; the same is true for PTAs. Having insurance protection makes good business sense, especially when the cost is small for the peace of mind of knowing you are protected.

The Texas PTA strongly encourages Local and Council PTAs to obtain adequate insurance protection against liability and financial loss due to fraud, embezzlement, or dishonest acts. In this regard, the Texas PTA negotiated a group discount with Association Insurance Management (AIM) (800-876-4044) so PTAs could obtain insurance coverage at affordable prices. Similar coverage may be obtained from any insurance company, locally or otherwise.

AIM offers the several types of coverage listed below and all run annually from the date that the application and premium is received. You may sign up for any one and/or all of these types of coverage at any time during the year.

Protection for the people who work the hardest for the association is what your insurance programs do for all of your members, volunteers and officers. One of the benefits of being a part of the Texas PTA is being able to obtain comprehensive insurance at a low cost. Recommended insurance programs include the following:

General Liability Coverage

- \$1,000,000 liability coverage per occurrence.
- \$5,000 per person medical payment

PTAs should consider General Liability coverage when projects or activities may result in potential hazard for PTA members, school children or other third parties. General Liability coverage extends to all “normal” activities of your Local PTA. This includes bazaars, carnivals, movies, dinners, dances, open houses, meetings, after-prom parties, parades, skating parties and more.

Your Local and Council PTA members, volunteers and employees are covered against liability claims in all these ways:

- **“Third Party” bodily injury and property damage**, including legal costs.
 - **Premise and operations** protection from hazards to the general public on and off school property.
 - **Products/completed operations** protection from accidents or injury resulting from goods made by PTA members for PTA purposes, or projects and activities run by the PTA.
 - **Personal injury liability** against loss from actual or alleged libel, slander, false arrest or wrongful eviction.
- Plus, you get \$5,000 per person medical payment for accidents resulting in bodily injury*

Your coverage is good for any occurrence during the coverage period, no matter when the claim is filed.

Officers Liability Coverage

- \$1,000,000 liability limit
- \$1,500 deductible

This coverage protects the assets of the PTA and the personal assets of its officers. It picks up where the General Liability leaves off. If a member or outsider files suit alleging negligent acts, errors or omissions occurring in the management or operations of the Local PTA, there's coverage. Some examples are:

- Mismanagement of the PTA according to the bylaws
- Failure to obtain competitive bids
- Misrepresentation
- Dissemination of false and misleading information
- Activities that are detrimental to the community

Coverage includes legal expenses, as well as settlement costs up to the policy limit. Coverage is written on a "claims made" form, which means that **claims must be filed during the policy period to be covered.**

Fidelity Bond Coverage

- Coverage available \$10,000, \$25,000 and \$50,000
- \$250 deductible

Although bonding may not be specified in the bylaws of the association, it is in the best interest of the PTA to have the treasurer and all other persons authorized to handle money covered by a Fidelity Bond. A bond covers losses sustained by a PTA through any fraudulent or dishonest act(s) or embezzlement (accidental loss by outside parties is not covered) committed by any of the elected officers, members, volunteers, or employees. If funds are absconded, the PTA is covered for the loss. The amount of coverage is determined by taking the average of the association's gross receipts for the last three years. If a three-year average cannot be determined, last year's receipts should be sufficient. In the case of a new PTA with no historical data, an estimate of the anticipated receipts will suffice.

Another safe practice is to estimate how much money your largest fundraiser of the year will bring in and carry a bond that would cover the theft of that amount.

The PTA must meet these simple requirements:

- An annual financial reconciliation of the books must be performed by a Financial Reconciliation Committee or qualified accountant.
- All checks must be signed by two persons.
- The monthly bank statement must be reviewed by someone who does not have authorization to sign checks.

All of these requirements are Texas PTA policies and must be followed. If, however, these requirements are not being met, you will negate your coverage even though you have paid the premium. Make sure these requirements are met!

Property Coverage

- \$10,000 Property Insurance Limit
- \$250 deductible
- If your PTA owns personal property or has care, custody or control of other people's property, then this coverage will protect that property against damage or loss due to theft or natural hazard. Examples of property that would be covered include:
 - Tables
 - Chairs
 - Popcorn machine
 - Microphones
 - Fundraising merchandise, and more

Whether your property or someone else's property is damaged as the result of an accident or you have to claim a complete loss as the result of a theft or natural hazard, you will have complete repair/replacement cost up to \$10,000 per occurrence.

Like the general liability insurance, this is an occurrence form policy. This means your coverage is good for any occurrence during the coverage period, no matter when the claim is filed.

FEDERAL TAXES

Internal Revenue Service

In a ruling dated September 14, 1967, the Internal Revenue Service held that Texas PTA and its Local and Council PTAs are exempt from federal income tax under the provision of Section 501(c)(3) of the Internal Revenue Code of 1954. As a result of this ruling, Local and Council PTAs are not required to file Form 1023 to obtain this status. This ruling further holds that contributions to the Texas PTA and its Local or Council PTAs are deductible to the donor as charitable contributions for federal income tax purposes.

Texas PTA is required by law to report annually to the Internal Revenue Service a list of all Local and Council PTAs in good standing with the state PTA. The PTAs listed are covered by our group exemption. In order for a Local PTA to be considered in good standing they must have paid the state and national portion of dues for all members by March 15 of the current year, and they must have their bylaws approved by the Texas PTA. Any Local and Council PTAs not listed would be subject to income tax on all earnings.

Form SS-4

Each Local and Council PTA must have a nine-digit tax identification number, known as an Employer Identification Number (EIN), or federal ID number, issued by the IRS. This number is applied for by filing IRS Form SS-4. This number is part of the permanent records of the Local and Council PTA and is kept on file in the Texas PTA Office. All EINs are reported to IRS annually to identify those Local and Council PTAs covered by the Texas PTA group exemption. If the Local PTA is a member of a Council PTA, the Council PTA treasurer also maintains a record of each Local PTA's EIN.

The EIN is used for all checking account(s), savings account(s), and certificates of deposit(s) of the Local or Council PTA. The number is also required when filing the appropriate 990 form or applying for a State of Texas sales tax permit. Local and Council PTAs submit the EIN Verification Form by January 31 each year to the Texas PTA office.

If you do not know your EIN or have reason to believe you have not been assigned a number, contact the IRS. They can confirm whether or not you have an EIN. The IRS may be contacted at the customer service for exempt organizations number 877-829-5500. In addition, you can contact Texas PTA. All EINs that have been assigned to Local and Council PTAs are on file at the office.

Form 990

PTAs that gross less than \$50,000 in tax year 2010 and any subsequent tax years will need to file the 990-N electronically with the IRS. PTAs that gross more than \$50,000 but less than \$200,000 in tax year 2010 and any subsequent tax years will be required to file the 990-EZ. PTAs that gross more than \$200,000 in tax year 2010 and any subsequent tax years will be required to file the 990.

Gross receipts are defined as the total amount the association receives from all sources during its annual accounting period **without** subtracting any costs or expenses. State and national dues portions are not a source of revenue to the Local PTA and therefore are not included in the calculation. Also not included is any money collected for the purposes of remitting sales tax to the Texas Comptroller.

If gross receipts are \$50,000 or less, Local and Council PTAs will need to file a Form 990-N. If they receive a Form 990-EZ from the IRS and a Local or Council PTA chooses to check the box (K) indicating \$50,000 or less gross receipts, the Local or Council PTA is required to complete the rest of the form. Sign the return and mail it to the IRS. The IRS will mail the Form 990-EZ to the address used when the SS-4 form is filed. As the 990-N is filed electronically nothing is mailed to the Local or Council PTA from the IRS. It is recommended that you use the school address for consistency. The PTA is responsible for completing any and all forms and returning them to the IRS. If your average gross receipts are over \$50,000 and you did not receive a Form 990-EZ, it is the responsibility of the PTA to obtain a form and file it no later than four and a half months after the end of the fiscal year.

When completing the Form 990-EZ, two numbers must appear on page one in the appropriate place. The first number is the Texas PTA group exemption number (GEN) 1889. The second number is the Local or Council PTA's Employer Identification Number (EIN). **Do not use Texas PTA's EIN when completing the return.**

Schedule A must be completed and attached to the Form 990/990-EZ. Due to the group nature of our exemption, all PTAs are considered nonprofit for the same reason. Therefore, all PTAs must check box 9 in Part I of Schedule A indicating the reason for non-private foundation status.

Some Local and Council PTAs may be required to file a Schedule B if they meet the requirements. To determine whether your PTA is required to file Schedule B, first complete your PTA's form 990/990-EZ. Organizations that received \$5,000 (in money or property) from any one contributor will be required to file Schedule B. Refer to the IRS instruction booklet for Schedule B for line-by-line instructions on how to complete Schedule B. If your PTA does not meet these requirements check box H on the 990-EZ

If the Local or Council PTA reported more than \$15,000 from total gaming on line 6 a, and/or \$15,000 or more from fundraising and special events line 6 b, then Schedule G, Parts II and III must be attached to Form 990-EZ/990.

In addition, all Local and Council PTAs are required to complete Supplemental Schedule O. This schedule lists other expenses not included in Part 1, Lines 10-15 with a total that agrees to Part 1, Line 16 of the 990-EZ/990.

The IRS filing deadline for all 990 Forms is four and one-half months following the end of your PTA's fiscal year, as determined in the Local or Council bylaws (i.e., fiscal year is June 1 to May 31; the return is due by October 15).

The Form 990 is an informational return only. No tax will be due if filed timely and accurately. The last three years returns are required to be available for public inspection upon request or copies will be mailed for a nominal copying and postage fee.

If you are assessed **penalties** for failure to file, contact the Texas PTA Office for assistance prior to paying.

FORM 990-N

Beginning in 2008, small tax-exempt organizations, which previously were not required to file a return, are required to file an annual electronic notice, Form 990-N. PTAs with gross receipts of \$50,000 or less are required to file a 990-N. Form 990-N, also known as the e-Postcard, must be filed electronically. This notice asks for a few basic pieces of information:

- the organization's taxpayer identification number
- its tax period (fiscal year)
- legal name and mailing address and any other names used
- a website address if one exists
- the name and address of a principal officer (president's name and address) and
- a statement confirming that the organization's annual gross receipts are normally \$50,000 or less.

If your PTA prefers to file an information return, Form 990 or 990-EZ, the entire return must be completed. An incomplete or partially completed Form 990 or 990-EZ will not satisfy the annual filing requirement. The IRS may revoke the tax-exempt status of any organization that fails to meet the annual filing requirement for three consecutive years. Therefore, **PTAs that do not file the e-Postcard or an information return, Form 990, or 990-EZ for three consecutive years will have the tax-exempt status revoked as of the filing due date of the third year.**

FORM 1099-MISC

All PTAs are required to file Form 1099-MISC with the IRS if they pay an individual or unincorporated business \$600 or more during a **calendar year** for services rendered. An example where this would apply is for paid guest speakers. A 1099 is not required when payments are for the purchase of merchandise. The Form 1099-MISC must be sent by the PTA to the payee on or before January 31 of each year and filed with the IRS along with Form 1096 by February 28 of each year. The Form 1099 includes the name and address of the payee, his or her social security number or EIN, and the total amount paid during the calendar year. Form 1096 is a summary of all 1099-MISC issued by the PTA during a calendar year. Even if only one 1099-MISC was issued by the PTA, a 1096 must still be completed.

To obtain the above forms, visit the IRS website, www.irs.gov or call the toll-free Customer Account Services at 877-829-5500.

CHANGE IN ACCOUNTING PERIOD

A PTA may change its year-end by adopting a bylaws change. Until the bylaws change has been adopted by the membership and approved by Texas PTA, the IRS cannot be notified of this change in year-end.

When changing a fiscal year you need to file two 990 forms to reflect the old fiscal year and the one month to adjust for the new fiscal year. For example: If a PTA wishes to change from a May 31 to a June 30 year-end, a Form 990-EZ would be filed for the 12 months ending May 31 as usual. Additionally, a Form 990-EZ would be filed for the short year of one month ending June 30. Thereafter, returns would be filed for years ending June 30. On the other hand, if a PTA wishes to change its year-end from June 30 to May 31, the returns would have been filed for the previous year-end as of June 30. Another return would be submitted for the short year ending May 31 for 11 months, and thereafter every 12 months ending May 31. The returns for the short year have the notation "Change in Accounting Period," noted at the top of the return.

If a PTA has changed its year-end previously within the last 10 years and was required to file a 990, it must now file Form 1128 to request IRS approval to change its year-end. Additionally, Form 990-EZ is filed for the short year, and a bylaws amendment to reflect the change is adopted.

If the PTA is required to file a 990-N and when filing, the treasurer observes that the fiscal year does not match with the fiscal year designated in the local bylaws, the PTA must notify the IRS in writing and remit the correspondence to Internal Revenue Service, Attn: EO Entity, MS 6273, Ogden, UT, 84201. This correspondence will correct the error and have the appropriate year-end on file with the IRS. The fiscal year cannot be changed on the 990-N.

STATE TAXES

PTAs are not required to pay the Texas sales tax on items purchased for use in presenting programs or carrying on the work of the PTA. This exemption was granted to Texas PTA and covers all Local and Council PTAs in good standing.

While all Local and Council PTAs in good standing are covered by Texas PTA's exemption, they are not individually listed with the Texas Comptroller's office. Local or Council PTAs that choose to file for incorporation must also file for their own exempt status with the Texas Comptroller's office in order to ensure they are listed as exempt with the State.

When PTA members purchase items for the PTA, they present an exemption certificate to the retailer in order not to be charged sales tax. Some retailers have their own certificates and will request the purchaser to sign it. **The state of Texas does not issue exemption numbers, and, therefore, your exemption certificate requires no number to be valid.** However, retailers will often ask for a tax exemption number. The information that the retailer needs is the Federal EIN issued by the IRS so that when the Texas Comptroller's office audits the retailer's financial records, they can demonstrate that any tax-free sales were legitimately sold to a tax-exempt entity.

It is recommended that you establish a policy in your standing rules stating sales tax will not be reimbursed. It is very important that members are informed of the policy in advance and have ready access to blank tax exemption certificates. A blank form is included in the Forms section of this guide as well as an example of a completed one. The blank form can also be found on the Texas PTA website. Make copies of the form available to all members who make purchases for the PTA.

The Texas PTA and its affiliates are exempt from the state hotel occupancy tax but are required to pay the local hotel occupancy tax. To avoid paying the state tax, provide the hotel with a completed hotel occupancy exemption certificate and a copy of the letter from the Texas Comptroller's office granting this exemption.

It is recommended that each Local and Council PTA have standing rules that reflect their rules for travel reimbursement. These rules should include, but are not limited to, meal reimbursement, mileage, and hotel occupancy expectations.

TAX-FREE DAYS

PTAs may hold two, one-day (24-consecutive hour), tax-free sales (for which the PTA is the determined seller) or auctions each calendar year. These sales or auctions are designated in the minutes. Sales of otherwise taxable items made during the 24-hour period designated as the tax-free sale or auction need not be taxed.

The Texas Comptroller's office has ruled that brochure/catalog sales are not eligible for tax-free declaration by the PTA because, for these sales, the PTA is acting as an agent for the vendor, who is the seller. The PTA collects sales tax on the sales price and remits it to the vendor to remit to the Texas Comptroller's office.

The PTA is the seller when a for-profit fundraising company does not coordinate the fundraising; the PTA is not using the marketing materials of a fundraising company, such as brochures and order forms; the PTA purchases inventory from a vendor for a certain price; the PTA resells those items at its own profit or loss and assumes all responsibility and risk. When the PTA is the seller and not acting as a representative of a for-profit fundraising company, the PTA is responsible for the proper collection and remittance of any tax due. The PTA may take advantage of the one-day, tax-free sale provision if appropriate.

The Texas Comptroller's office has ruled that PTAs may consider advance-order sales fundraisers as one of their tax-free days, provided the following criteria are met:

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1. All orders must be submitted by the PTA to the supplier prior to the delivery of the merchandise.
 2. All merchandise must be delivered to the PTA by the supplier on one day (need not be the same day as indicated above).
 3. The merchandise must be delivered to the purchaser over a reasonable period of time. Texas PTA recommends this period of delivery not to exceed three weeks.
 4. The tax-free day is the day of delivery to the PTA, or the day of delivery to the customer if the delivery occurs on one day and not over a multi-day event. The PTA may decide which of the two options they prefer.

A tax-free sale must not be a year-long activity, such as a school store.

A Local or Council PTA is required to have a sales tax permit if the PTA sells tangible items, such as handicrafts, candles, t-shirts, cups, books and school supplies other than at the tax-free days.

The permit is issued from the Texas Comptroller's office. The form requires the Local PTA's EIN to complete the application. It is recommended that the school address be used for the application, returns and correspondence.

Make at least two copies of the permit. File one copy with the treasurer's records, and give the other copy to the fundraising chair or coordinator to display during the activity. There is no fee for the permit, and it remains valid until a request to cancel it is made by the PTA or cancelled by the Texas Comptroller. When your permit is issued, you will be assigned a reporting period. This could be monthly, quarterly or annually, depending on your sales volume. Most PTAs are on an annual filing basis; therefore their returns are due on January 20 for the previous **calendar** (January-December) year. If the due date falls on Saturday, Sunday, or a legal holiday, the return may be postmarked on the next business day and still be considered timely. The return must be filed if you have a permit, **even if you have no sales tax due during the reporting period.**

- **Total sales** will equal the amount of PTA receipts as a result of the sale of tangible property. Therefore local PTA membership dues, an admission price to an event or donations are not considered sales. Total sales will be the accumulation of the income from items such as spirit wear, school supplies, cookie dough sales and school store merchandise.
- **Taxable sales** are those sales that are held and the PTA collected tax. In the example above, the cookie dough fundraiser sales would not be included as taxable sales because this event is already considered a tax-free sale. Any taxable sales that occurred during the two tax-free days would not be included in this calculation as well.
- Due to the fact that the Texas Comptroller requests computation on income in whole dollars only, there will be a difference in the amount collected and what is remitted to the Texas Comptroller. In addition, there is a .05% deduction for paying timely. Therefore once sales tax is paid, there is always a small amount left in sales tax escrow that remains as a part of the PTA's income. What can be done with that income? The Local or Council can zero out the balance in the sales tax escrow account and increase the donations income by that same amount. Why donations? Because it won't be considered as sales income in the future. If that money is allocated to a line item that is considered PTA sales, then in effect the PTA would be paying tax twice for the same revenues.

A PTA purchasing taxable items for resale must obtain a sales tax permit and issue a resale certificate to the seller in lieu of paying sales tax. A PTA does not have the option of paying the sales tax when the merchandise is purchased in order to avoid collecting the sales tax as merchandise is sold. When the items are resold, the PTA must collect and remit the sales tax to the Texas Comptroller unless the taxable items are sold only during a tax-free day. If taxable items are sold only at the tax-free day, an exemption certificate is given to the seller rather than the resale certificate.

The following items are not subject to sales tax:

- PTA food sales made at a PTA fundraising event are exempt from sales tax unless the PTA is in direct competition with a retailer required to collect sales tax. In this circumstance, the PTA would be required to collect sales tax as well.
- There is no tax on admission tickets (including those at carnivals); fees or raffle tickets provided all the proceeds go directly to the PTA.
- Student directories, yearbooks, cookbooks, and any other publications of the PTA are exempt from sales tax.

See “When Do I Have to Collect Sales Tax?” in this guide for a chart of examples of taxable and nontaxable items. Items marked taxable are taxable unless sold at one of the association’s two tax-free days.

A PTA may participate in the annual State Sales Tax Holidays if they are selling items included in this event. The 81st Texas Legislature passed HB 1801 in 2009 expanding the list of items qualifying for exemption from state and local sales and use taxes during the annual sales tax holiday in August. In addition to clothes, footwear and some backpacks, Texas families also get a sales tax break on most school supplies priced at less than one hundred dollars (100.00) purchased for use by a student in an elementary or secondary school.

For more information, visit the Texas Comptroller’s website at www.window.state.tx.us/taxinfo/taxpubs/tx98_490/tx98_490.html.

Generally, profit is not a factor in determining if sales tax must be collected and remitted to the state on the sale of an item. The exception to this general rule is when a PTA purchases food from a for-profit business and turns around and sells it at no markup to its members. In this circumstance, the sales are **not** exempt from the collection of sales tax. PTA cannot act as a conduit to circumvent the collection of sales tax on a sale that in no way is benefiting the PTA.

An example would be if PTA purchases pizza from a restaurant and sells it to members at a meeting as a convenience to provide dinner.

- If the PTA purchases the pizza from the restaurant and sells it to their members for the exact same price the restaurant sells it for, tax must be collected. A resale certificate is given to the restaurant because PTA is going to resell the pizza.
- If the PTA were purchasing the pizza to provide dinner at the expense of the PTA (the membership would not pay for the pizza), the PTA would be exempt from paying the sales tax.
- If the PTA purchases the pizza from the restaurant and sells the pizza for a profit, then no tax would be collected.

Any of the above taxable items could be deemed not taxable if sold on one of the PTA’s two tax-free days. Every PTA is entitled to sell taxable items as nontaxable on two days (or 24-hour periods) per calendar year. These days are determined and designated in the PTA’s minutes, prior to the beginning of the sale.

Most PTA’s file returns annually or quarterly. Annual returns are due on the 20th of January and quarterly returns on the 20th of the month following the end of the quarter. There are penalties for late filing.

Note: If you are selling items that the collection price includes sales tax, you must inform the purchaser that sales tax has been included in the price. All information must state, “Sales tax included in price.”

When Do I Have To Collect Sales Tax?

	TAXABLE	NONTAXABLE
Candy bars *		X
Popcorn, popped *		X
Spaghetti supper		X
Concession sales *		X
Raffle tickets		X
Cookbooks produced by the PTA		X
Cookbooks purchased for resale	X	
Student directories produced by the PTA		X
Other writings and publications of the PTA		X
Gift wrap	X	
School supplies	X	
T-shirts	X	
Admission ticket (if the PTA is the <i>provider</i> of the amusement)		X
Admission ticket (if the PTA is <i>not the provider</i> of the amusement)	X	
Discount coupons		X
Horticultural products such as flower arrangements, roses, carnations, holiday greenery and poinsettias	X	
Agricultural products (plants and seeds), the products of which ordinarily constitute food for human consumption		X
Pumpkins from the pumpkin patch		X
Pumpkins that have been carved, painted or decorated	X	
Books (not written by the PTA)	X	
Silent auction items - DEPENDS ON THE ITEM AUCTIONED	X	X
Garage sale items	X	
Pictures with Santa	X	
Booth rental fee		X
Confetti eggs at carnivals	X	
Games of chance at carnivals		X
Face painting		X
Educational activities such as coloring, painting, crafts		X
Gift items sold at Santa's Workshop	X	
Sales of magazine subscriptions sold for a semiannual or longer period (six months or greater) and entered as second class		X
Sales of magazine subscriptions sold for a shorter subscription period (less than six months) and sales of individual issues	X	
Cookie dough		X

* - These items would be taxable if the PTA is not the determined seller by both purchasing inventory AND determining the sales price.

GENERAL INFORMATION

PLAYGROUND EQUIPMENT

Many questions have been asked regarding the topic of liability involving PTAs purchasing playground equipment for their campuses. There have been several cases in past PTA history of lawsuits being filed against a Local PTA and officers of that PTA for injury to a child and/or damages.

If a PTA purchases **and** installs the playground equipment, the liability remains with the PTA regardless of any exemption statements made by the campus principal or school. It is important to note that Texas schools may not be sued.

A Local PTA may **lessen** their liability for problems arising from the purchase of playground equipment by having the equipment professionally installed. This **does not exempt** the PTA from liability.

It is recommended that PTA request a Certificate of Insurance naming the PTA as “Additional Insured” for general liability from both the school and the installation vendor.

The Texas PTA advises all Local PTAs interested in purchasing playground equipment for their campuses to:

- obtain approval from the membership for the purchase, and
- purpose of the purchase

It is recommended that if funds are approved, the PTA forward a check to the school and indicate that the funds are earmarked for playground equipment. The school will then choose the company for which to purchase the equipment and the contractor to install the equipment. Sample agreements are provided in the Forms section of this guide. Liability insurance coverage, if purchased, does cover Local PTAs and their members for playground equipment liability.

BINGO

PTAs must consider all the regulations before committing to a Bingo event and should avoid participation unless they can assure complete compliance. Detailed rules may be obtained from the Texas Lottery Commission (TLC) by requesting a copy of the Bingo Enabling Act, the Charitable Bingo Administrative Rules and the Bingo Operations Manual. You will also need to request a Texas Application for a Temporary License to Conduct Bingo in the event you decide to go ahead with the process. Even if the games are just for fun, where no entry fees are collected, a license is still required.

The TLC must receive the application and all attachments at least 30 days prior to your first event. To obtain forms call the Charitable Bingo Division of the Texas Lottery Commission at 800-BINGO77 (800-246-4677). You may not advertise a Charitable Bingo prior to actually receiving your license.

RAFFLES

Chapter 2002 of the Occupations Code, the Charitable Raffle Enabling Act, permits and regulates “raffles,” which it defines as “the award of one or more prizes by chance at a single occasion among a single pool or group of persons who have paid or promised to pay a thing of value for a ticket that represents a chance to win a prize.”

State of Texas Attorney General’s Ruling on Raffles

Raffles do not require a license. Local or Council PTAs must be in existence for at least three years before they can conduct a raffle. They are a legal activity for a PTA provided each of the following regulations is followed:

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- Each ticket must have printed on it the name and address of the PTA, name of an officer, the price of the ticket and a description of each prize valued at \$10 or more. No prize may be valued in excess of \$50,000.
 - A PTA may hold no more than two raffles per year and only one at a time.
 - Tickets may not be advertised statewide or through paid advertisements.
 - A raffle prize may not be cash. Gift cards, gift certificates and coupons are considered cash equivalents by the IRS; therefore they are not permitted as raffle prizes.
 - The PTA must have the prizes in its possession or post a bond for the full value with the county clerk.
 - Only members of the sponsoring PTA may sell tickets or an authorized representative.
 - The PTA must complete a W2-G form to turn into the IRS if the prize exceeds \$600. A W-9 must be completed by the winner or backup withholding at the rate of 31% must be collected by the PTA. Provided the prize value is less than \$5000 and a W-9 is completed by the recipient, the PTA is under no obligation to collect tax.
 - No one may be compensated directly or indirectly for organizing or conducting a raffle or for selling raffle tickets.

NONCOMMERCIAL POLICY & CO-VENTURING

PTA bylaws include the requirement to be noncommercial.

- The name “PTA” is not to be used in conjunction with the commercial activities of other organizations, including the promotion of their goods or services.
- A PTA does not raise money for other organizations or individuals, no matter how worthy their cause.

Commercial Co-Venturing is becoming a popular form of fundraising for PTAs. Commonly, a business will advertise a cooperative fundraising effort in which a portion of their sales will be forwarded to the PTA as a gift. The size of the gift is determined by how successful the business is in selling its product or service.

- Given PTA’s noncommercial policy, the only appropriate role in such a venture is a passive one. The PTA must refrain from active promotion or marketing of the business’s products or services and do no more than inform members of the agreement.
- Structure agreements in such a way as not to appear as an endorsement of a product or company. If this is not possible, the PTA should not enter into the agreement.

RELATIONSHIPS BETWEEN PTA FUNDS AND THE FUNDS OF OTHER GROUPS

PTA money cannot be mingled with other funds. It must be kept in a PTA bank account and must never be deposited in a personal or school account.

The money of another group or organization must not 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 tax-exempt status. This must not be done. Accountability is difficult and frequently the practice violates Internal Revenue Service 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 any individual person or family, we may work cooperatively in coalitions if the purpose is within the Purposes of PTA.

PTA policy concerning nonpartisan, nonsectarian and noncommercial activity must be followed. 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 is part of the governing body of the coalition.

Small token donations may be made to another group provided all of the following criteria are met:

1. The PTA membership votes to make the donation.
2. The group has 501(c)(3) status and PTA has documentation to prove that.
3. The group shares at least one common purpose with PTA (i.e. to promote the health, education or welfare of children, provide parent education or raise the standards of home life).

PROTECTING PTA TAX EXEMPTION

Texas PTA and all constituent Local and Council PTAs in good standing are exempt from federal income tax as a charitable and educational organization under the provisions of section 501(c)(3) of the Internal Revenue Code.

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 for the association.

Certain restrictions that apply to 501(c)(3) classification must not be violated:

- PTAs must be organized and operated exclusively for charitable, educational or scientific purposes.
- Its resources and funds cannot be used for private benefit of an officer, director or member.
- Upon dissolution, its assets must be distributed for one or more of those defined exempt purposes.
- It cannot engage in a substantial amount of lobbying activity.
- It cannot engage in any political activity. Tax-exempt 501(c)(3) organizations are forbidden to support candidates for public office.

U.S. POSTAL REGULATIONS

A PTA should exercise caution in using its not-for-profit bulk-mailing permit. If in doubt, it is best to show the bulk mail coordinator at the local post office a sample of what the PTA is intending to mail with its permit to make certain the material meets applicable postal regulations.

Two areas of concern:

- Misleading direct mail pieces.
- Allowing the permit to be used in a cooperative mailing with for-profit businesses. (Fines may be imposed if abuses are found.)

IRS RULES AND REGULATIONS

Donors and Charitable Contributions. Donors must obtain a receipt from charitable organizations for contributions made, regardless of the amount or value. Canceled checks are no longer sufficient. PTAs must be prepared to issue receipts. There is no required format for the receipt and Social Security Numbers are not required. At a minimum, the receipt must reflect donor's name, date, cash amount received or a description of the property received (the charitable organization is not required to value property received) and has the PTA's name on the receipt. If a donor receives value for the donation, only the portion in excess of the value is deemed a donation and only that amount is reflected on the receipt.

Record keeping and reporting. To comply with IRS reporting requirements, complete records must be kept on all monies received and all expenditures for seven years after the date the PTA's return is filed.

Unrelated business income tax. If the PTA's sole source of labor for all fundraising events is volunteers, the PTA will have no unrelated business income, and you may disregard this section. If, however, you ever pay anyone for services to assist the PTA in a fundraising event, this section must be reviewed carefully.

As a tax-exempt organization, PTA revenues are not subject to federal income tax if the revenue is raised in a manner that is related to the PTA's tax-exempt purpose. However, it is possible for some revenue to be subject to income taxation. When this occurs, the amount subject to taxation falls into the category of unrelated business income.

A transaction or activity generally will be classified as yielding unrelated business income if it has all of the following three properties:

1. The activity provides income (but does not necessarily produce a profit), and the PTA takes an active role in the generation of the income.
2. The activity is conducted on a regular and continuous basis.
3. The fundraising activity is unrelated to the mission of the PTA. (Even when the proceeds are used to further PTA Purposes, if the method of raising the funds is unrelated it is deemed unrelated business income. Fundraising, per se, is not a related activity even if all of the net revenue will be used to support PTA programs.

However, if the activity is conducted by the PTA and at least 85% of the labor is provided by PTA the income generally will be excluded from taxation, even if the above three conditions exist.

If the PTA's unrelated activity starts to rival its related activity (so that the unrelated activity is perceived to be dominant), the PTA may no longer be perceived as a charity supporting itself with some unrelated business income; it may, instead, be viewed by the IRS as a business with some charitable activities. At that point, the PTA would lose its tax-exempt status.

IRS regulations require nonprofits to do the following:

- Report **unrelated** business activities when gross receipts are at least \$1,000.
- Report and pay taxes on such gains by filing IRS Form 990-T.

DISCLOSURE STATEMENTS

PTAs are required by IRS disclosure rules to inform prospective donors about the extent to which their contributions are legally tax deductible.

This disclosure must indicate (1) the fair market value of any tangible benefits received in exchange for a contribution, and (2) the amount of the donation that is deductible as a charitable contribution.

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. For example, if a spaghetti supper ticket sells for \$20 and the value of the meal is determined to be \$5, the purchaser is entitled to a \$15 charitable contribution deduction. The \$5 is not the cost to the PTA, but the value of a prepared and served meal allowing for a reasonable profit.

FAQs

1. When does the new treasurer take over the books?

According to “Texas PTA Local PTA/PTSA Bylaws Template,” Article VII: Officers and Their Election, *Section 2 states: “Officers shall assume their official duties following the close of the fiscal year and shall serve a term of one year.” Procedure books and materials must be given to newly elected officers no later than 15 days after they assume their duties. However, it is recommended that an outgoing treasurer complete the books upon the close of the fiscal year, secure the signature of the president, file the appropriate Form 990, and then turn the books over to the Financial Reconciliation Committee for review. Treasurers receive books directly from the Financial Reconciliation Committee upon completion of the financial reconciliation. Upon turning the books over to the financial reconciliation committee, incoming and outgoing officers go to the bank and change the signature card. Once the books are in the Financial Reconciliation Committee’s possession, the outgoing officers no longer sign checks or conduct any transactions.

2. Can I pay sales tax when we purchase our merchandise for sale so I don’t have to collect it when we sell it?

No, sales tax must be collected from the end user (customer) on the retail price, not the wholesale price.

3. Can we have a fundraiser to raise money for a student who needs an operation?

No. Funds cannot be raised through the PTA for an individual, no matter how worthy the cause.

The student’s family may be encouraged to apply to the Texas PTA Emergency Needs Relief Fund. PTA’s are encouraged to donate to this fund, but contributions may not be earmarked for a specific individual. Refer to the Forms section of this guide.

4. Do I have to pay sales tax on prizes purchased as giveaways at a carnival?

No, items purchased for PTA use are exempt from sales tax. As these items are not sold, neither would sales tax be collected.

5. If we make no profit on our school supplies, do we have to collect and pay sales tax?

Yes, profit is not a factor in determining what items you must collect sales tax on.

6. How much money can we carry over to next year?

There is no established minimum or maximum amount. It will vary from PTA to PTA based upon when each holds its fundraisers. If you have no fundraiser until spring, you will need to carry over more than if you’re major fundraisers is in the early fall. However, a PTA should not raise more funds than is necessary to carry out its tax-exempt function.

7. A local business wants to make a contribution to our PTA but needs proof of our tax-exempt status. What do I give them?

Give them a copy of our IRS determination letter. The letter is provided in the Forms section of this guide.

8. Can our PTA give door prizes?

Yes, as long as the item is nominal in value and money is not collected in order to be eligible. Texas PTA has defined nominal as not more than twenty-five dollars (25.00) in value.

9. Can our PTA be a paying member of our local Chamber of Commerce?

Yes, as long as the PTA membership has approved the membership and its associated expenditure. This expenditure is included in the budget.

10. Can PTAs pay for workshop fees, speaking engagements, salaries or fees to associations for school district employees?

PTA may elect to pay for workshop fees or reimburse for continuing education through a faculty scholarship process. Similarly to student scholarships, criteria must be established and published either in the PTA's standing rules or in a policy voted on by the membership. A committee would be appointed to select the recipients. The scholarship would allow them to take a class or attend a workshop that furthers their education. Travel expenses (mileage, airfare, hotel fees and meals) are not included.

Professional speakers can be compensated for their services. If the professional speaker is paid more than six hundred dollars (600.00), then a Form 1099-MISC is provided to them by January 31 of the following year. School district employees are not allowed to be compensated for speaking engagements by the PTA but a token donation to another 501 (c) (3) is permissible. For example, if the school district employee is a member of another 501 (c) (3), a donation to their organization would be acceptable as long as it has a common purpose with PTA. If the school district employee is not a part of another like-minded non-profit, a donation to the school library for a purchase of a book would be a great use of the funds. This same policy would apply to PTA volunteers.

A letter to the individual who spoke along with where the money went is a great way to let them know how much the PTA appreciates their time and efforts.

This money could come out of the "Programs and Parent Education" budgetary line item.

PTAs may fund employee positions, under certain restrictions. The school district would have to be willing to accept the donation, and it is imperative the PTA understand they are funding a position, not a person. The PTA cannot participate in the selection of the employee or any other part of the employment process. The PTA also cannot guarantee funding for future school years, as these decisions are made annually by the membership of the PTA.

- PTAs do not donate towards teacher payroll;
- PTAs do not donate towards paying taxes;
- PTAs do not donate towards association fees for other organizations; and
- PTAs do not donate toward paying rental expenses of the school building.

If a school district is experiencing financial troubles, PTAs do not give money to them for the maintenance and operations (M and O) portion of the budget. In addition, in Article IV: Basic Policies of the PTA's local bylaws, it states *"that the legal responsibility to make decisions has been delegated by the people to the boards of education, state education authorities and local education authorities."* Taxes, rent and payroll are legal obligations of the school district; therefore PTAs do not involve themselves financially in these areas.

11. Can PTAs pay for furniture or consumables for the school?

The primary allocation of PTA funds must be in areas that reflect the PTA's mission, allow the PTA to carry out its work and benefit the students. Allocating money out of the budget for coffee service, or for new tables and chairs in the conference room isn't applicable to any of the above categories.

12. Can PTAs have capital projects that benefit the school?

Unlike many other non-profits, PTAs do not have capital projects. Because we operate on a cash-based accounting method, we only look at the current year's activity when it comes to our income and expenditures.

If a PTA determines that they wish to contribute to a long term project (say donating towards the cost of a school marquee for example), they would (a) present this to the PTA membership for approval each year and (b) write a check to the school for their contribution along with completing the appropriate paperwork that specifies where this contribution will be applied and the timeframe in which the school can keep the donation. This vote takes place after all fundraisers have been held; not before. PTAs do not escrow money for long term projects. The only two escrow accounts that PTAs have are the State/National Dues escrow and the Sales Tax escrow. These are escrow accounts because these funds are not the PTA's money; the PTA is just temporarily holding them until payment is remitted to the appropriate organization.

13. Are PTAs permitted to hold a raffle where multiple prizes are awarded by drawing from multiple containers, or does this constitute more than one raffle?

Per a written response from a representative with the Office of the Attorney General, as long as the prizes are awarded at one event/occasion, multiple containers to draw from can be used to constitute only one event/one raffle.

RESOURCES

Texas PTA is committed to providing our volunteer leaders across the state with the knowledge and skills they need to be successful in their role within PTA. Access to quality educational resources is a key component in supporting this success, as well as continuing to build strong Local and Council PTAs.

FOUNDATIONS

FOUNDATIONS courses provide a broad overview of “what” PTA is, and share important information that every PTA leader should know. In addition to the courses offered for all board members, Texas PTA has also created a series of brief *FOUNDATIONS* courses that provide general information for many Local PTA board positions. It is important to note that these position-specific courses are not meant to be comprehensive training, rather a quick review of each position for newly-elected or prospective nominees. Other than *FOUNDATIONS: Leader Orientation*, all *FOUNDATIONS* courses are web-based presentations.

ALL BOARD MEMBERS

- Council PTA Board Orientation
- Inclusiveness
- Leader Orientation
- Local PTA Board Orientation

POSITION SPECIFIC

- Arts in Education
- Communications
- Environmental Awareness
- Fundraising
- Healthy Lifestyles
- Historian
- Legislative Action
- Membership
- Parent Education Programs
- Parliamentarian
- President
- Secretary
- Treasurer
- Volunteer Coordinator

BASICS

The *BASICS* series contains detailed information to support volunteer leaders in their specific board position. Texas PTA strongly encourages every board member to attend a *BASICS* course for their own position, as well as any other related positions.

BASICS courses are currently available for face-to-face presentations during LAUNCH and through your Council PTA or Field Service Representative, as well as scheduled web-based trainings hosted by Texas PTA. In addition to the training presentation, all *BASICS* courses have a companion Resource Guide, Quick-Start Guide, and Duties-at-a-Glance. These guides are available via download from the Texas PTA website or for purchase through Texas PTA’s STAR Co-op (online store). Courses marked with an asterisk (*) will debut at a future date.

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|----------------------------|-------------------------------|-------------------------|
| • Arts Education | • Legislative Action | • Secretary |
| • Communications | • Membership | • Treasurer |
| • Environmental Awareness* | • Parent Education / Programs | • Volunteer Coordinator |
| • Fundraising | • Parliamentarian | |
| • Healthy Lifestyles | • President | |

SPOTLIGHTS

PTAs have many unique programs, processes and responsibilities as healthy, thriving non-profits. *SPOTLIGHTS* courses offer an in-depth review of some of these most important and recurring PTA functions.

SPOTLIGHTS courses are available during LAUNCH and through on-demand, web-based presentations hosted by Texas PTA.

- | | |
|-----------------------------|-----------------------------|
| • Bylaws and Standing Rules | • Financial Reconciliation |
| • Conducting a Meeting | • Nominations and Elections |

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