

# Treasurer's Guide

**Texas**  
**PTA**®

*everychild.one voice.*®

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# **PTA Vision**

Making every child's potential a reality.

## **PTA Mission**

- A powerful voice for all children,
- A relevant resource for families and communities, and
- A strong advocate for the education and well-being of every child.

## **PTA 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.

## Overview

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This guide will serve as a guideline as you perform your duties as Treasurer.

## How to Use

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Use this guide to acquaint yourself with duties, responsibilities and general information you will need to know to be an effective Treasurer.

## Who Should Use

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- Treasurer

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## **Treasurer**

The treasurer is the authorized custodian of the funds of the association. He receives and disburses all monies indicated in the budget and prescribed in the Local PTA bylaws or as authorized by action of the association. It is strongly recommended the PTA have the treasurer and all other persons authorized to handle funds of the association covered by a fidelity bond in an amount based upon the Local PTA's annual income and determined by the executive board. The PTA should pay the expenses of such insurance.

The treasurer should be the chairman of the Budget and Finance Committee. Additional duties, which then become the responsibility of the treasurer, are listed in the "Guidelines for Officers, Chairmen & Principals" section of the *Texas PTA Handbook*.

The bylaws require the treasurer to present a financial report at regular meetings, executive board meetings and at other times when requested by the association or executive board. This financial report should be referred to the auditor or Audit Committee, who should report to the association at such time as the bylaws require.

Two signatures are required on all checks. The treasurer shall be an authorized signer on all bank accounts with a minimum of two additional officers authorized to sign. Individuals authorized to sign checks shall not be related to each other by blood nor marriage and shall not reside in the same household.

The treasurer shall make a preliminary annual report to the membership at the annual meeting. This report will need to be finalized as of the end of the fiscal year and turned over to the Audit Committee along with the other records for audit. The incoming treasurer shall present the finalized annual report at the first regular meeting of the new year. The Audit Committee shall present the audit report at the same meeting. The annual report and the auditor's report are filed after the association has formally adopted the auditor's report.

Local bylaws state the amount of annual dues for membership in the association. This amount includes the local, state and national portions of the membership dues. The Local PTA treasurer credits the amounts of the dues covering state

and national portions to the state fund, which is entered in the Local PTA treasurer's book. State and national portions of the dues may be forwarded to the Texas PTA Office without specific authorization by the association.

## **Major Duties**

1. Study carefully all references to duties and finances in the Local and Texas PTA bylaws and in the "Money Matters" section and the "Guidelines for Officers, Chairmen & Principals" section of the *Texas PTA Handbook*.
2. Keep an accurate and detailed account of all monies received and disbursed.
3. Keep on permanent file the Local 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.
4. Present a financial report at regular meetings and executive board meetings. A suggested format for these reports can be found in the Appendix of this guide. The beginning balance of the treasurer's report must coincide with the ending balance from the previous meeting. Therefore, there are different reports for the executive board and the association meetings. All accounts such as savings accounts, special projects and/or certificate of deposit accounts should be reported in the same manner at all meetings.
5. Receive all monies and deposit them in a timely manner in a bank approved by the executive board of the association. This account is in the name of the PTA. Never deposit monies in a personal bank account or in the school account.
6. A non-signer on the account should open, and review the bank statement checking for the following:
  - a. Checks appearing in non-sequential order
  - b. Checks made out to cash
  - c. Checks written to non-approved vendors
  - d. Checks written for non-approved expenses

- e. Missing check numbers
- f. ATM/Electronic banking debits
- g. Checks made out to an individual for an even dollar amount

If any of the above are present, the items should be investigated further. The non-signer should then initial and date the bank statements and then give them to the treasurer for reconciliation. The bank statements must be reconciled monthly as soon as they are received. The back of the bank statement usually has a printed form that can be used in reconciling.

7. Make disbursements as authorized by the association in accordance with the budget adopted by the association. All bills must be paid by check, never 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.
8. The state and national portions of the dues do not belong to the Local PTA and are never recorded as part of the Local PTA income. Texas and National PTA portions of the dues must be collected for each person joining the Local PTA (Texas PTA Life Members are exempt from the state dues portion for one Local PTA).
9. The treasurer and the Membership Chairman should work together to forward the Texas and National PTA portions of the dues to the Texas PTA Office on a regular basis. PTA members are not considered “members in good standing” of their Local PTAs until their names and the Texas and National PTA portions of their dues have been forwarded and recorded in the Texas PTA Office.
10. Maintain a list of assets that are owned by the PTA.
11. The treasurer submits to the Audit Committee the previous audit report and copies of the current year’s budget adopted by the association with the approval date. If the budget has been amended at any time during the year, also include copies of the amended budgets with the date of the amendment. Also include copies of all financial statements, the check book, bank statements to include photo copies or cleared checks, deposit slips, vouchers/receipts for checks and the ledger showing a running total of the transactions in each budget category. Upon completion of the audit, the committee will forward these items to the new treasurer.
12. For manual accounting systems, maintain a ledger sheet for each budgeted category showing an opening balance, a credit column, a debit column and a current balance column. Each transaction should be recorded showing date, check number, payee and amount. The balance should be recorded after each transaction.
13. Review the “Texas PTA Policies for Computerized Financial Management Systems” in this guide if you maintain a computerized accounting system.
14. It is the responsibility of the outgoing treasurer to file the 990-N, 990 or 990-EZ in a timely manner. (The appropriate form is due four and one-half months after the fiscal year end.) If authorized in the budget a professional may be retained to prepare the 990 for the association. The 990 should be completed by the outgoing treasurer who was custodian of the books for that fiscal year.
15. Since most Local PTA’s file sales tax returns on an annual basis that overlaps two administrations the outgoing treasurer must leave a detailed report of all fundraisers conducted from January 1 to the end of the fiscal year. All sales, taxable sales, and tax collected must be listed in order for the incoming treasurer to knowledgeably complete the sales tax return for the calendar year the following January. A sample format can be found in the Appendix of this guide.
16. The PTA **WILL NOT** have debit cards or credit cards issued in the name of the PTA. Electronic banking is not allowed as well.

## **General Information**

### **Protecting PTA Tax Exemption**

Texas PTA and all subordinate Local 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 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. See the Appendix of this guide for list of additional record retention requirements.

**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 should 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 should 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.

### Principles of PTA Financial Management

- No other organization may pass its money through PTA accounts. Only funds owned and controlled by the PTA membership should be in the PTA account.

- The PTA membership must authorize the expenditure of all funds. Approving the budget and subsequent amendments does this.
- All officers and chairmen who deal with money should be bonded.
- Money shall be counted by at least two persons at the same time and an Itemized Receipt Form signed by both. The money should then be given to the treasurer, who also counts and signs the Itemized Receipt Form. A copy of this form should be retained by all signers of the form. This form is available for purchase (in triplicate) from Texas PTA or may be downloaded from the Texas PTA Web site.
- PTA monies is never deposited in a personal or school account.
- Personal or school monies is never deposited in a PTA account.
- Cash is never kept at home or at school, even in a vault. It must be deposited in the PTA bank account on the same day as received.
- All bills must be paid by check — **never** by cash.
- Individuals authorized to sign on the bank account shall not be related by blood nor marriage and shall not reside in the same household.
- **Never** sign a blank check.
- Money is never to be “turned over” to the school and/or the principal to spend at their discretion. Refer to the Appendix of this guide for sample forms to be used to correctly make a designated donation to the school for a specific purpose.
- Texas and National PTA portions of dues are never recorded as PTA income and are not a source of revenue to the Local PTA; therefore, those dues are not included in the calculation of gross income on IRS Form 990-EZ.
- Texas and National PTA portions of dues must be remitted to the Texas PTA on a regular basis. PTA members are not considered “members in good standing” of

their Local PTA until their names and dues are received in the Texas PTA Office.

- Texas and National PTA portions of dues must be collected from each individual who joins a Local PTA (honorary Texas PTA Life Members are exempt from the state portion of the dues in only one Local PTA).
- When changing or adding signatures on a PTA checking account, two of three current signers must take the minutes from the meeting recording the election of new officers or an approved motion to add or delete a signature and go in person to the bank with the new signers.

## Record Keeping

The Local PTA should adopt a records retention policy, as required by federal law as a result of Sarbanes-Oxley Act. This policy is provided in the Appendix of this guide.

A ledger book showing all income and expenditures must be maintained with supporting receipts. A ledger sheet for each budget category should be kept to reflect expenditures. The checkbook must be kept balanced and the bank statement must be reconciled to the checkbook monthly. The records should be maintained for seven years. Many PTAs maintain their records on a computerized system. See “Texas PTA Policies for Computerized Financial Management Systems” in this guide for recommended procedures. An account will be maintained for all income and expense line items that appear in the budget.

## Vouchers

A Local PTA may use a general voucher system for its expenditures where a receipt is not available. A general voucher is written documentation for expenditure. Checks are then written for the purposes authorized by the voucher. Refer to the Appendix of this guide for sample vouchers. These records should be maintained for seven years.

## Depositing Funds

- PTA monies must be deposited in a banking institution that returns canceled checks or photocopies of canceled checks and has been approved by the executive board of the association. Canceled checks must be kept seven years. This account is in the name of

the Local PTA, and checks are printed with the school address if the PTA is affiliated with a school. PTAs are required to provide the bank with an Employer Identification Number (EIN) for checking and savings accounts. (See “Form SS-4” in this guide for information regarding EIN.) All money must be deposited in the bank on a daily basis for all fund raising and membership dues-collecting events. Money shall be counted by at least two people at the same time and an itemized receipt form signed by both. The money should then be turned over to the treasurer, who also counts and signs the itemized receipt form. A copy of this form should be retained by all signers of the form. This form is available for purchase (in triplicate) from Texas PTA or may be downloaded from the Texas PTA Web site.

All monies collected are turned over to the treasurer or his designee immediately. Never deposit money in anyone’s personal account or leave the money in the school building (even in a vault) or in someone’s home. PTA funds belong to the association and must never be made part of the school building, principal or activity funds. Personal and school monies must never be deposited in a PTA account. No funds of another organization can ever be deposited in the PTA account.

## Disbursement

Your Local PTA bylaws require that checks be signed by two people, usually the president and treasurer, with three signatures on the signature card filed with the bank. The third person may be another officer such as the first vice president and should be designated in the bylaws or standing rules, or in the minutes of the association. Signers of the bank account shall not be related by blood or marriage and shall not reside in the same household. If a person is designated an authorized signer on the account(s) and is also the payee, he cannot sign the check. Example: If the treasurer is to be reimbursed for purchased supplies, the two signatures on the reimbursement check to the treasurer would be the president and first vice president.

All bills are paid by check, never cash. Never sign a blank check. Each check written must have a receipt or voucher verifying disbursement. No other organization may pass

its money through the PTA account in an effort to achieve tax-exempt status. Money should never be “turned over” to the school and/or principal to spend at their discretion.

### **Treasurer’s Written Report**

The bylaws require that the treasurer report to the association at regular meetings, executive board meetings, and other times when requested by the executive board. Reports must be given at every meeting for all accounts, not just the general account. This written report should indicate 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 should be distributed to the members in attendance, when possible. This report is not adopted, but filed. They are provided to the Audit Committee during the auditing process and is be maintained permanently. A copy is be 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 audit has been completed. The annual report, as well as the audit report, is filed with the permanent financial records and with the minutes. See the Appendix of this guide for a sample annual report.

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.

### **Change in Accounting Period**

A PTA may change its year-end by adopting a bylaws change and by filing form 1128 to request IRS approval to change its 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 should 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.

### **Scholarships**

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. 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 who meet the criteria established. The procedures should establish how the Scholarship Committee is selected (whether elected or appointed, how many people serve on the committee, etc.). No one should serve on the committee if he has a child, or anyone who would render his objectivity questionable by applying for a scholarship. All of these requirements are listed in the standing rules.

The source of funds for scholarship 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 Local PTA. A fund may 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. 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 in the future. 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 if any of the funds received are not used for school fees such as tuition, books, or lab fees, that portion is taxable income. Any funds used for travel expense, baby-sitting, or housing are considered taxable income. Beyond making the recipient aware of this issue, the PTA has no obligation.

## **Budget and Finance**

A Budget and Finance Committee usually has the responsibility for developing a proposed budget for the PTA. This committee may be elected or appointed according to the Local PTA bylaws or standing rules and usually consists of three to five members, one of whom is the treasurer, who may serve as chairman.

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 an outline that coordinates income and expenses. Effective budgeting requires a determination of both ends that are to be sought and specific means to be used to achieve these ends.

Accounting records and budgets must be maintained in accordance with the Local PTA’s fiscal year. If you are unsure what your year-end is, check Article XV, Section 1, of your Local PTA bylaws. An annual report recapping all income and expenses by category and compared

to the final amended budget is prepared at year-end. Both the treasurer and the secretary retain this report permanently.

A budget must be in place at all times in order for expenditures to be made and fund raisers 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 regular meeting of the new 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. Sales should be stated as the gross amount before any cost of sales is deducted. 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 to the membership of how these funds will be expended. In addition, “special projects” or similar wording are 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 chairman 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.

### 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 regular 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 regular meeting or at a special meeting called for that purpose. Amendments require a two-thirds vote for approval.

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

### Major Duties

1. The committee studies the previous year's budget and financial reports to determine how well that budget met the association's needs.
2. Encourage all committee chairmen to present a budget request with supportive information for 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.

3. Estimate probable income from all sources. Texas and National PTA portions of dues are never considered as income or as expenditure.
4. The budget shows an anticipated income (i.e., local portion of dues, all fund raisers, interest earned, etc.).
5. The budget shows anticipated expenditures such as:
  - Parent education
  - Newsletter publishing costs
  - Scholarships
  - Cost of merchandise sold
  - Leadership training (Texas PTA Leader Orientation, Area PTA workshops, Texas PTA Summer Leadership Seminar, Texas PTA Annual Convention).
  - PTA administrative expenses
6. See the Appendix of this guide for a sample format of a proposed budget.

### Special Funds of Texas PTA

- **Texas PTA Life Memberships:** Life memberships can be used to honor a person who has given his time and talents for the youth of the community. The application and fee for life memberships should be sent to the Texas PTA Office, 408 W. 11th St., Austin, Texas 78701-2113. Funds from the award go to fund the extension work of Texas PTA. For more information and an application, refer to the "Resources/Forms" section of the *Texas PTA Handbook*.
- **Extended Service Award:** This award has been established to honor PTA members who have received a Texas PTA Life Membership and have at least 10 years of service to the PTA. Funds from the award go to fund the extension work of Texas PTA areas. For more information and an application, refer to the "Resources/Forms" section of the *Texas PTA Handbook*.
- **Texas PTA Endowment Fund:** This fund is used by Texas PTA to further education within the state. In the recent past, these funds have been used to provide advance

study scholarships for Texas teachers and students who are PTA members. These scholarships are awarded in April.

- **Ella Caruthers Porter Memorial Endowment Fund:** This fund is used by Texas PTA to provide funding for the work of the Area PTAs.
- **Texas PTA Building and Maintenance Fund:** The purpose of this fund is to provide for necessary repairs and to maintain the home of the Texas PTA.
- **Friends of PTA Fund:** This fund is part of the General Fund and is used to help fund projects as well as the everyday business of the association. (See “The PTA Story” section of the *Texas PTA Handbook* for additional special funds and their uses.)
- **Texas PTA Emergency Needs Relief Fund:** This fund, established in 1995, provides emergency assistance grants to PTA members and their immediate families who suffer economic hardship due to illness, accidents or natural disaster. (Guidelines and an application are included in the Appendix of this guide as well as in the “Resources/Forms” section of the *Texas PTA Handbook*.)

## **Texas PTA Policies For Computerized Financial Management Systems**

Texas PTA encourages its Local and Council PTAs to use computerized bookkeeping or accounting systems for their financial records. We present the following policies to ensure that the books are kept accurately and appropriately:

- a. Texas PTA recommends the use of the Texas PTA Accounting Software. This program was designed specifically for PTAs to help treasurers with developing the budget, maintaining a general ledger, and creating financial reports. The minimum system requirements are: 486 or higher processor, Microsoft Windows Vista or XP, 256 MB of memory, 50 MB of available hard disk space, and a VGA or higher resolution video adapter. To purchase the program, contact Texas PTA. Other accounting software

- programs are also acceptable. We recommend you do not use spreadsheet software packages for maintaining your financial records; however they are acceptable for producing reports using data from accounting software packages.
- b. Computer systems do not eliminate the requirement for regular financial reports. You must still produce financial reports for every executive board meeting, every regular meeting and an annual report. It is acceptable that these reports be computer-generated. Computerized data is a working copy and the permanent records of a PTA must be printed out on paper. These reports must be permanently affixed in a bound book with the report date handwritten at the top of the bound page. A monthly transaction report must be generated and kept as a part of the financial records and retained according to the adopted records retention policy.
  - c. Similarly, computer systems do not eliminate the requirement for a regular audit, as specified in the Local or Council PTA bylaws. In addition to providing the usual reports, canceled checks, and other materials presented to the Audit Committee, a treasurer using a computerized financial management system should provide a full printout of ledger detail and be prepared to give the Audit Committee a copy of the computer media records, if asked to do so.
  - d. Backup copies of the computerized records must be made on a regular basis, preferably any time that the financial records are modified. These copies may be produced on disk, tape, recordable CD-ROM, or any similar removable media supported by the computer system. Under no circumstances should backups be made at intervals greater than one month.
  - e. We strongly recommend that a rotating schedule for backup media be used so that, at any time, two or more “generations” of backup records are available. We also recommend that at least one set of backup records be stored at a location away from the treasurer’s computer system, preferably in the

custody of another officer or board member of the Local or Council PTA or kept at the school.

- f. Texas PTA requires maintaining some financial records in parallel with the computer-maintained records. This is necessary to provide a means for crosschecking the computer records. In most cases, check stubs and/or a running balance in the checkbook register can suffice for these records. Records, such as copies of the adopted budget, amendments, etc. must be kept as usual.
- g. Texas PTA policy prohibits using an online “bill paying” service or other electronic transfer systems for PTA accounts. These services transfer funds electronically from the purchaser directly to the vendor account, generally without hard copy records.
- h. Texas PTA continues to recommend that PTAs use banks that return canceled checks or check copies to the account holder, and that the canceled checks be archived as part of the PTA financial records. PTAs require two signatures on their checks.
- i. ATM machines must **not** be used for PTA financial transactions.

*NOTE: MS-DOS and Windows are trademarks of Microsoft Corporation.*

## **Collection of Returned Checks**

Every Local PTA and Council PTA should adopt a written policy as to how returned checks will be handled by the treasurer. Bank fees and a collection fee are usually involved and should be paid at the same time the check is paid. The policy can be part of the standing rules or a returned check policy can be written and adopted by the executive board at the beginning of the year. A written policy assures that everyone who writes the PTA an insufficient check is treated the same.

## **Audit Committee Checklist**

### **Audit Objective**

Purpose: To certify the accuracy of the books and records of the PTA. To assure the membership that the association’s resources/funds are being managed in a business-like manner within the procedures established.

### **What is an Audit?**

Auditing 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 PTA bylaws and standing rules. The audit 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 XV).

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 should not be eligible to serve on the committee.

When an audit is performed:

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

### **Preparing for the Audit**

The outgoing treasurer is responsible for putting the financial records in order for the committee. The outgoing treasurer should deliver the following to the Audit Committee:

- 1. A copy of the last audit 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 regular and executive board meetings
- 8. Adopted budget as amended
- 9. Sales tax returns filed
- 10. Form 990 (It is the responsibility of the **outgoing** treasurer to complete and file the appropriate Form 990.)
- 11. All correspondence with any taxing authority
- 12. Copies of all financial reports for the period to be audited
- 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 Audit 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 audit, checks should only be written in the case of an emergency and would be signed by the incoming treasurer.

### **Conducting the Audit**

- Begin the audit with the first transaction posted after the last audit. Make sure the beginning balance agrees with the balance on hand per the last audit 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 cash. (Itemized receipt

form should have been used and signed by two counters and 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 reconciliation's are done monthly and check their accuracy. Verify that a non-signer has reviewed, initialed and dated all bank statements. Verify all checks have two signatures 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.
- Checks should never be made payable to "Cash." Startup funds should be made payable to the person 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.
- Determine which Form 990 is required to be filed and confirm that it was filed timely and accurately. The 990 for the past fiscal year as well as the 990 for the fiscal year being audited should be included.
- 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 regular 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 regular and executive board meetings for all accounts.
  4. Any tax-free fundraisers were so designated as such 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 regular 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 audit concludes. Write "Examined and found correct" and have all committee members sign and date the entry.

### **Irregularities in the Records**

If the audit 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 should request additional guidance from the Council PTA

president (if the Local PTA is in a Council PTA) or the Area PTA president (if not in a Council PTA).

- A Council PTA president can request additional assistance from the Area PTA president if the matter cannot be resolved at the Council PTA level.

### **Audit Report**

A member of the Audit Committee makes a report to the membership at the first meeting held after the conclusion of the audit. The association adopts the report at that time. A copy of the annual report is attached to the audit report, maintained permanently by the treasurer, and placed in the minutes. In the event a complete audit 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 audit 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. See the "Resources/Forms" section of the *Texas PTA Handbook* for instructions and the forms for requesting a state review. The membership approves any funds to be expended prior to engaging the services of a CPA.

In reporting an audit that finds inaccuracies in the records of the treasurer, the following statement should be given at the appropriate time:

*"The Audit 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 Audit Committee must be kept confidential.**

## **Liability 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 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 four 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. To ensure your members are covered for the full year, request a current application from the Texas PTA Office, and complete and return as soon as possible. The requested information will contain the liability limits, deductibles and fees for all types of coverage.

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 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

*Contact AIM Insurance or your insurance carrier for detailed information on coverage, coverage period and details on when a claim should be 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 should be 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 should meet these simple requirements:

- An annual audit of the books must be performed by an Audit 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 should be done anyway. 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
- Gift certificates
- 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.

### **Tax Information**

There are two taxing authorities that are of concern to the PTA. They are the **Internal Revenue Service (IRS)** and the **State of Texas**. Structurally and politically, these tax collection agencies are totally separate entities. It is the responsibility of each Local PTA's officers to learn and fulfill the obligations of the PTA to these taxing authorities.

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.

## **Internal Revenue Service**

In a ruling dated September 14, 1967, the Internal Revenue Service held that Texas PTA and its Local 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 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 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 PTAs covered by the Texas PTA group exemption. If the Local PTA is a member of a Council PTA, the Council PTA treasurer should also have 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 a Form 990-EZ or applying for a State of Texas sales tax permit. Locals and Council PTAs submit the EIN Verification Form

(see the Appendix of this guide) 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.

## **Form 990**

Under the terms of our group ruling, the Texas PTA and its Local and Council PTAs are required to file Form 990. PTAs who gross less than \$25,000 during their fiscal year will need to file the 990-N electronically with the IRS. PTAs that gross more than \$25,000 during their fiscal year will be required to file the 990-EZ or 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 would be cash that had been taken out of the PTA account for "startup cash" at a fundraising event and then deposited back into the account.

If gross receipts are \$25,000 or less, Local and Council PTAs will need to file a Form 990-N. If they receive a Form 990/990-EZ from the IRS and a Local or Council PTA chooses to check the box indicating \$25,000 or less gross receipts, the Local or Council PTA must then complete the entire return and Schedule A and file it with the IRS in a timely manner. 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 PTA from 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 \$25,000 and you did not receive a Form 990-EZ, it is the responsibility of the PTA to obtain a form and file it in a timely manner.

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).

**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 PTA 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. The General Rule is 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 or box M on the 990.

The IRS filing deadline for all 990 Forms is the 15th day of the fifth month (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.

Please refer to the *National PTA Money Matters Quick-Reference Guide* for more detailed information on all Forms of 990. The Texas PTA website, [www.txpta.org](http://www.txpta.org); will have updated information on the current Form 990s. Contact the IRS for additional information and to request forms, at 800-829-3676, or download them from [www.irs.gov](http://www.irs.gov).

The Form 990 has changed significantly for 2008. If your gross receipts are less than \$1,000,000, you may use Form 990-EZ. If gross receipts are equal to or greater than \$1,000,000, you will need Form 990. If your PTA is filing the Form 990 for 2008, we recommend that you have a tax consultant review the Form to determine that it is complete with all required supplemental schedules. Additionally, you will want to obtain a copy of the instructions for the forms you need at [www.irs.gov](http://www.irs.gov).

If you are assessed *penalties* for failure to file, contact the Texas PTA Office for assistance prior to paying. (See sample letter in the Appendix of this guide.)

## 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, *Electronic Notice (e-Postcard) for Tax Exempt Organizations not Required to File Form 990 or 990-EZ*. This filing requirement applies to tax periods beginning after December 31, 2006. PTAs with gross receipts of normally \$25,000 or less are not required to file Form 990 or Form 990-EZ. With the enactment of the Pension Protection Act of 2006, these PTAs are now required to file an electronic Form 990-N with the IRS annually. Form 990-N, also known as the e-Postcard, must be filed electronically. There is no paper form. The IRS delivers a simple, Internet-based process for filing the e-Postcard and anticipates that organizations that do not have access to a computer can go to places such as their local library to file the e-Postcard. Because the system will be Internet-based, organizations should not need to purchase software to file the e-Postcard. Beginning in 2008, the e-Postcard will be due every year by the 15<sup>th</sup> day of the fifth month after the close of your tax period. For example, if your tax period or fiscal year ends on May 31, 2007, the e-Postcard is due October 15, 2008.

The e-Postcard requires PTAs to provide the following information:

- PTA's name
- PTA's mailing address
- PTA's Web site address (if applicable)
- PTA's Employer Identification Number (EIN)
- Name and address of a principal officer of the PTA (president's name and address)
- PTA's annual tax period (fiscal year)
- Statement that your PTA's annual gross receipts are still normally \$25,000 or less
- If applicable, indicate if your PTA is dissolving

The Pension Protection Act of 2006 added this filing requirement to improve transparency

within the non-profit sector. The information will ensure that donors, who may want to contribute to your PTA, and the IRS have current information about your PTA. 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 Pension Protection Act requires the IRS to 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.**

**As part of the phase-in of the redesigned Form 990 over a three-year transition period, many PTAs not eligible to file the Form 990-EZ for 2007 will be eligible to file Form 990-EZ or Form 990 for 2008.**

## **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.

The Form 1099 is not required for scholarship recipients regardless of the amount paid. Recipients should, however, be made aware that if not all of the funds received were spent on tuition and required school expenses, they are required to report the excess as miscellaneous income on their personal return.

**To obtain the above forms, you may call the Internal Revenue Service at 800-829-3676**

## **State of Texas**

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 PTAs in good standing.

While all Local 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.** 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 Appendix of this guide, the "Resources/Forms" section of the *Texas PTA Handbook*, and on-line at the Texas PTA Web site. 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. (See the Appendix of this guide.)

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 (i.e., four people to a room).

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 that should be 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 determined seller. The PTA should collect sales tax on the sales price and remit it to the vendor to remit to the Comptroller's office,

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:

- 1) All orders must be submitted by the PTA to the supplier on one day.
- 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. PTA recommends this period of delivery not to exceed three weeks.

A tax-free sale must not be a year-long activity, such as a school store. School supplies sold during a three-week period with a few additional isolated sales would qualify. However, the additional sales would be taxable if made outside the event's stated time frame.

A Local 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 Appendix of this guide contains a sample of a completed permit application form, blank form and instructions for their use. 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 fund-raising chairman 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 State 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.** Line 1 reports "Total Sales," which includes food items, publications, and sales made at your tax-free days as well as all taxable sales. Line 2 reports "Taxable Sales" or only those sales where you were required to collect sales tax. Line 3, "Merchandise Purchased For Own Use," will always be zero.

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:

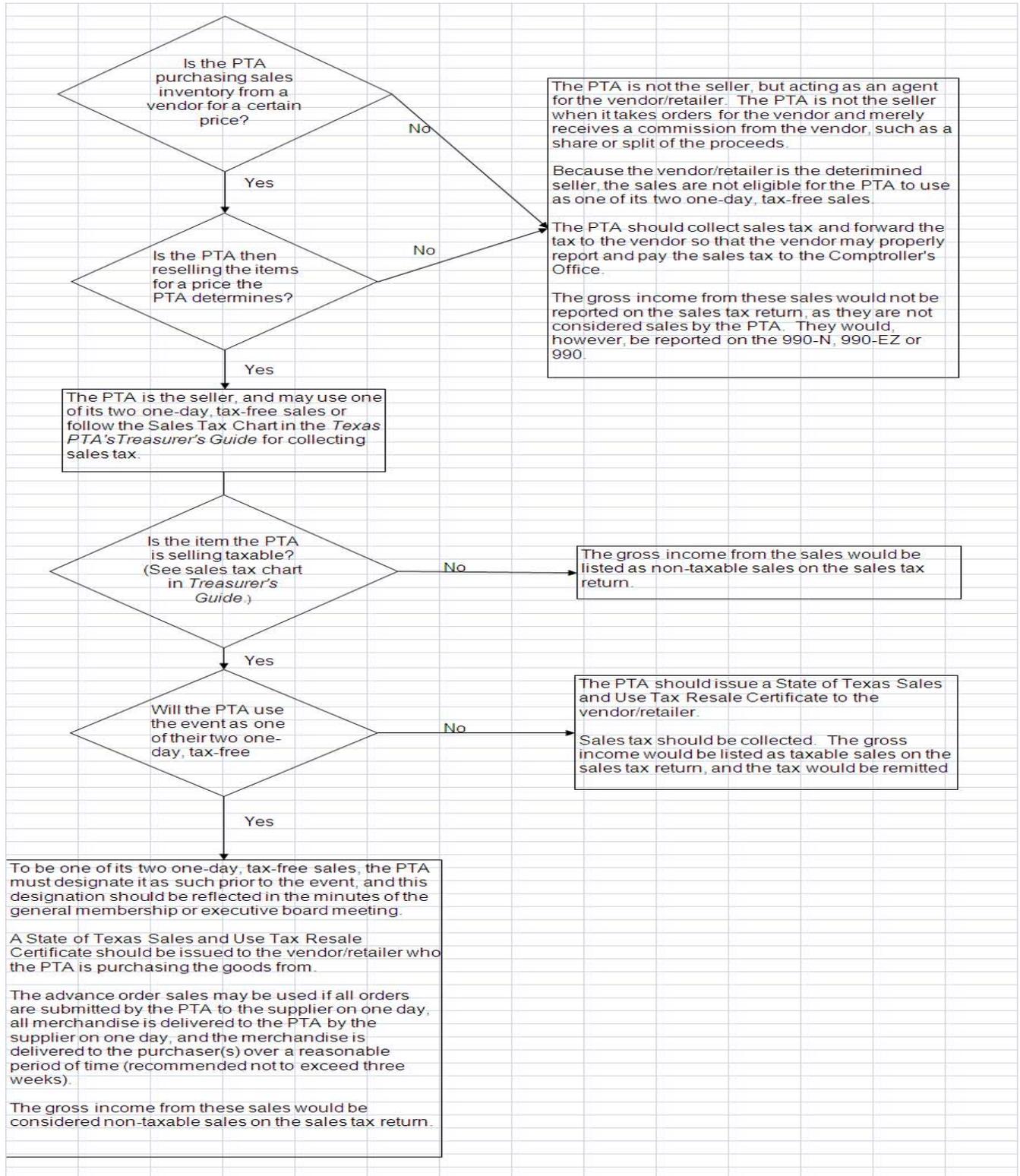
- When the PTA is determined to be the seller by purchasing the goods AND determining the selling price, PTA food sales made at a PTA fund-raising event are exempt from sales tax unless the PTA is in direct competition with a retailer required to collect sales tax. In this circumstance, the PTA would 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. For more information, visit the Texas Comptroller’s Web site at [www.window.state.tx.us](http://www.window.state.tx.us).

**TAX-EXEMPT NUMBERS DO NOT EXIST. EXEMPTION CERTIFICATION FORMS DO NOT REQUIRE A NUMBER.**

# When Do I Have To Collect Sales Tax?



## 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 all the proceeds go to PTA)		X
Admission ticket (if a portion of the fees go to a for profit business)	X	
Discount coupons		X
Flowers, plants, pumpkins	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	
Pre-sale magazine	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.

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 Mr. Gattis and sells it to members at a meeting as a convenience to provide dinner.

- As Mr. Gattis is not allowed to sell without collecting tax, tax must be paid on the resale of the pizza. A resale certificate is given to Mr. Gattis because PTA is going to resell the pizza. PTA must collect tax on the sale.
- If the PTA were purchasing the pizza to provide dinner at the expense of the PTA, the PTA would be exempt from PAYING the sales tax.
- If the PTA sold the pizza at a profit, 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 should be determined and designated in the PTA's minutes, prior to the beginning of the sale. Brochure sales can be designated as a one-day sale and therefore one of the tax-free days if all sales are based upon advance orders only, the PTA determines the sale prices printed in the brochure and all merchandise is delivered to the PTA on one day.

When filing a sales tax return, all of the above items, both taxable and exempt would be included on line 1 of the return in "Total Sales". Only those items marked taxable and sold on days other than the PTA's two tax-free days would be included on line 2, "Taxable Sales." 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 should state "Sales Tax Included in Price."**

## **Liability Issues**

### **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. A sample agreement for use when cash is given to the school for a designated purpose is included in the Appendix of this guide. Liability insurance coverage, if purchased, does cover Local PTAs and their members for playground equipment liability.

### **Boy Scouts of America**

At the July 2005 meeting of the Texas PTA Board of Directors, the ongoing issue of Local PTAs chartering Boy Scout units was once again considered. Boy Scouts were considered, as Girl Scouts and Campfire do not require a chartering organization. After a thorough review of the issue, it was decided that the official position that Texas PTA has held for almost twenty years would not change. Texas PTA continues to recommend that Local PTAs should not act as the chartering organization for Boy Scout units.

In the information that follows, PTA is referred to as the "chartered organization" and the scouting organization is referred to as the unit, district, and council. The PTA perspective is printed in italics.

Per the Scouting Annual Charter Agreement\*, the chartered organization agrees to

- Conduct the scouting program according to its own policies as well as those of the Boy Scouts of America (BSA). *A PTA chartering a Scouting unit would need to examine and adhere to the policies of the BSA. All documents should be examined*

and understood by the PTA. A Local PTA may wish to seek legal advice before entering into the charter agreement.

- Include scouting as part of its overall program for youth and families. *National PTA primarily encourages Local, Council, Area, and state PTAs to participate in specific PTA programs and activities that relate to the PTA Purposes and Mission.*
- Appoint a chartered organization representative who is a member of the chartered organization and will coordinate all scouting unit operations within it. He or she will represent the chartered organization to the scouting district and serve as a voting member of the local BSA council. *The Local PTA president is the only person authorized to sign contracts for the PTA. The president would serve as the representative, or they would appoint a member of the PTA board, with the approval of the board. BSA would be considered an alliance or a cooperation organization of the PTA, so, therefore, the voting body of the PTA should approve such agreements. If the dates of the charter agreement do not correspond to the PTA calendar year, the voting body approving the charter agreement should be made aware that their affirmative decision will bind the next board and the next membership of their PTA. The representative should make regular reports to the PTA since they are required to coordinate all scouting unit operations within it. The representative would also represent the PTA to the scouting district and serve as a voting member of the local BSA council, therefore requiring them to attend those meetings.*
- Select a scouting unit committee of parents and of members of the chartered organization (minimum of three) who will screen and select scouting unit leaders who meet the chartered organization's standards as well as the leadership standards of BSA. *The committee chairman must sign all leadership applications before submitting them to the chartered organization for approval. The PTA president or appointed representative must approve all leader applications before submitting them to the local BSA council. The PTA, not the scouting unit, is responsible for selecting the scouting unit committee. The PTA should be*

*fully aware of the details of the leadership standards of the BSA.*

- Provide adequate facilities for the scouting unit to meet on a regular schedule with time and place reserved. *Local PTAs do not generally own facilities to provide. Most PTAs meet in their respective schools, upon the approval of the campus or district administration, and are themselves guests at the public school facility. If the district or campus administration does not approve a scouting unit meeting in a said facility, it would be the responsibility of the PTA to secure and reserve adequate meeting facilities on an ongoing basis for the scouting unit.*
- Encourage the scouting unit to participate in outdoor experiences, which are vital elements of scouting. *The PTA would need to address how to best meet this requirement and responsibility.*

\*Note: Some charter agreements have additional responsibilities listed for the chartering organization.

The BSA council agrees to, among other things:

- Provide primary general liability insurance to cover the chartered organization and its board, officers, chartered organization representative, employees, and volunteers currently registered with BSA. Coverage is provided with respect to claims arising out of an official scouting activity with the exception that the coverage is in excess of any insurance which may be available to the volunteer for loss arising from the ownership, maintenance, or use of a motor vehicle or watercraft. This insurance is only available while the vehicle or watercraft is in the actual use of a scouting unit and being used for a scouting purpose. *Since the timing of the charter agreement and its renewal may not coincide with the seating of a new board, and, therefore, a new representative, the new representative should become registered with BSA at the earliest possible time in order to provide them with the coverage mentioned. A Local PTA could be without coverage should the BSA be subject to very large judgments that use the entire pool of annual insurance coverage. Texas PTA strongly encourages its Local PTAs to obtain adequate insurance*

protection against liability. In this regard, the Texas PTA has a negotiated group discount with Association Insurance Management ([www.aim-companies.com](http://www.aim-companies.com)) so PTAs could obtain insurance coverage at affordable prices. Currently, AIM has listed Boy Scouts as an exclusion under the General Liability Policy. That means that the insurance specifically excludes any Boy Scout functions from being covered under the PTA's insurance policy. Similar coverage may be obtained from any insurance company, locally or otherwise. The inclusion of Boy Scouts should be considered when purchasing insurance coverage. National PTA recommends that all PTAs be incorporated to add an extra layer of protection for the officers and volunteers while they are engaged in PTA-sponsored activities of all types. The funds for the scouting unit should not be commingled with the PTA funds, which would then subject them to PTA policies and procedures (two signers on checks, financial reports, budgets adopted by the membership, annual report, annual audit). The scouting unit also should not use the PTA's EIN number for the purpose of tax exemptions.

- Provide insurance to unregistered scouting volunteers through the BSA general liability insurance program in excess of any other insurance the volunteer might have to his or her benefit, usually a homeowner's, personal liability, or auto liability policy. Again, the representative appointed by the president should be registered immediately upon that assignment. Other PTA members who volunteer with the BSA and are not registered would be covered by BSA general liability insurance only after their personal insurance claims have been filed/paid.

PTA is a non-profit, 501(c)(3) association, as recognized by the IRS. As such, PTA is required to direct its activities and programs toward advancing its Purposes and Mission. As with most volunteer associations, Local PTAs may find operating their PTA and meeting their responsibilities to be a challenge. The requirements of chartering a scouting unit add additional responsibility and should be taken seriously. While the Texas PTA commends the work of the Boy Scouts of America, it is the

position of the Texas PTA Board of Directors that Local PTAs should not act as the chartering organization for a scouting unit due to the serious responsibility and risk placed on that Local PTA.

## Bingo

A PTA contemplating a bingo fundraiser should consider all the regulations before committing to the 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.

## General Conduct of the Game

- The game must be open to the public.
- A prize may not exceed \$500 in any single game or a series of prizes may not exceed \$2,500 per occasion. In the event merchandise is donated the actual retail value may not exceed these limits. You may NOT advertise a dollar amount to be awarded at your game.
- Door prizes or other free promotions are not allowed at a Bingo event.
- No other forms of gambling (i.e. raffles) may occur during a Bingo event.
- All Bingo supplies and equipment must be purchased from a licensed distributor.
- Your PTA will be responsible for collecting a five percent fee from the prizewinners and remitting it to the state of Texas.

## Temporary Licensing Requirements

- There is a \$25 fee for each application; a new application is necessary for each event, and a maximum of six events per year are allowed.
- Bingo may be conducted only in areas that have held an election to legalize the game. Check with your city or county to see if it is legal in the area where you would conduct your game.
- Some of the attachments required to the license include: bylaws, articles of incorporation, Form 990's for last three years, membership roster, IRS determination letter, letter from Texas PTA indicating your PTA is a member in good standing.
- A criminal background check is conducted on the primary operator.

The Texas PTA recommends that Local PTAs use alternate methods for raising funds due to the increasing number of rules and required licenses to be obtained prior to operating a Bingo game. The regulations listed here are not all inclusive. **You will need to obtain the literature to learn all the requirements. This is only a summation intended to give you a general idea of the level of involvement.**

If you have any questions, please call the Bingo hotline toll-free at 800-622-5991.

## Raffle

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 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:

- 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.
- 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.
- 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.

## Lottery

The Texas PTA Board of Directors has established a policy that a PTA may **not** sell lottery tickets. The board feels like this is not an appropriate activity for PTA to participate.

## **Fundraising**

The primary emphasis in PTA should be focused upon the promotion of the PTA Purposes, not upon fundraising. However, all PTAs need to do some fundraising. PTA funds should always be used to further a PTA's educational purpose and where possible should be raised in a manner that promotes a PTA Purpose.

The primary source of PTA funds should be membership dues. The PTA should begin the year with specific goals in mind before deciding what fundraisers will be conducted to raise the necessary funds.

For most PTAs, the best solution is a single money-raising project. One well-planned event, along with the local portion of dues, usually raises sufficient funds to finance the year's activities. The fundraising event should reflect the high principles of the association. It should have educational, social or recreational value. Be careful to avoid parent burnout. Too many fundraisers may drive away members. With fundraising, less can be more.

Fundraising should be undertaken to provide funds for the PTAs planned activities. Fundraisers should not be conducted simply to raise money for which there is no planned use. The most successful fundraisers are those where the funds are earmarked for a specific project that parents care about. If you start to hear rumors that parents are tired of fundraisers, drop plans for any spring fundraisers and consider it as an investment toward the next fall. Check with other groups in the area to see what fundraisers they are doing in order not to compete with one another. Products and timing need to be considered.

### **Relationship of Members/Students to Fundraisers**

PTA members are volunteers dedicated to improving the environment of their children.

As such,

- No individual PTA volunteer shall profit monetarily from any fundraiser;
- PTA boards select and approve fundraisers to preclude any potential "conflict of interest;"

- Children must never be placed in position of risk to further any fundraising project;
- How money is handled, earned or expended must be determined solely on the basis of maximizing the benefits available to our children;
- The primary emphasis of PTA focuses upon the promotion of the Purposes, not upon fundraising;
- Local PTAs refrain from organizing and participating in any fundraising activity that may entice a student to go door-to-door. (2004 Texas PTA Position, reaffirmed from 1999); and
- Award programs, if used, thank and award all families for their help and participation, not just a few "top sellers." The Texas PTA recommends that the value of an award program not exceed two percent of the retail sales of the program.

### **Criteria for PTA Fundraising**

- Be carried on within the framework of National and Texas PTA policies. Conform to the practices outlined in the National PTA section explaining the noncommercial policy.
- Not be undertaken by a PTA if it is detrimental to character building
- Make children's roles be either a natural outgrowth of regular schoolwork or a constructive leisure-time activity.
- Not allow children to be exploited or used as fundraisers.
- Create good will for the PTA.
- The association members must approve all projects.
- Funds must be raised ethically and must conform to community standards.
- All income and expenditures must be recorded accurately.
- Proceeds from a fundraiser must **NOT** be used to finance the work of any other organization or group.
- Federal, state and local laws, including school policies, must be followed.

## Why Funds Are Needed

PTA funds should be used for PTA purposes. Money should be raised ethically, recorded accurately and spent wisely. The following are some functions for which funds should be budgeted:

- **Leadership Training:** Legitimate expenditures for payments of delegates' expenses to Summer Leadership Seminar, PTA conventions (state and national), Area PTA workshops, and Texas PTA Leader Orientation. Other areas include payment of delegates' expenses to meetings on education, health, safety, and similar meetings/conferences.
- **Bonding/Insurance:** It is in the best interest of the PTA to have the treasurer and all other persons authorized to handle funds of the association covered by a fidelity bond in an amount based upon the PTA's annual income as determined by the executive board. Other overages such as liability or property insurance as deemed necessary would also come out of this category.
- **PTA Administration:** Expenditures for the secretary and treasurer's record books, duplicating materials, office supplies, postage, telephone calls, and other necessary expenses of the president, officers, and chairmen.
- **Legislation, Programs, and Parent Education:** Expenses may include speakers, film/video rental, materials for a PTA library, and special programs for the children and membership.
- **Expenditures of All Committee Chairmen:** Funds are needed for the preparation of newsletters and other material explaining PTA activities. *Our Children* is a National PTA publication and can be obtained through the National PTA. Funds should be set aside for chairman's guides and additional copies of the *Texas PTA Handbook*, if hardcopies are needed.
- **Awards and Texas PTA:** Funds should be included for Texas PTA and National PTA life memberships to PTA leaders and other civic leaders for outstanding service to children and youth. Other special honors include: Extended Service Awards, past

presidents' pins and others that further the Purposes of PTA, donations to the Texas PTA for the Texas PTA Endowment Fund, Ella Caruthers Porter Endowment Fund, Building and Maintenance Fund, Friends of PTA, Emergency Needs Relief Fund, etc.

- **Other Activities:** Funds may be spent for other activities consistent with PTA Purposes and the needs of the PTA.

## Equipment or Money Donations to School

Texas PTA has had a long-standing policy that Local PTAs never give cash to the schools. We have revised that policy to state PTAs never turn cash over to the school to be spent at their discretion. There are times when the best decision is to give funds to the school for a designated purpose. Oftentimes, schools can purchase items at a significant discount where, if the PTA writes the check, they will have to pay full retail price. Other times, PTA may decide to fund a portion of a purchase the school is making.

When the best fiscal decision is to have the school make the purchase, there are certain guidelines that must be followed:

1. The membership approves the gift to be made and its purpose.
2. Funds are only given for a specific, designated purpose agreed to in writing between the Local PTA president and the appropriate school official.
3. The written agreement specifically states the nature of the item to be purchased, the manner in which it is to be used, the timeframe within which it is to be procured, agreement to provide PTA with a copy of the invoice, that any excess funds will be returned to the PTA, and an agreement that all funds will be returned to PTA if any of these terms are not met. It should also include agreement as to who is responsible for installation (if applicable), maintenance, and insurance.

See the Appendix of this guide for sample forms. Included forms are for donating capital equipment purchased by PTA to donate to the school and for capital equipment PTA purchases for its own use to be stored at the school. These

forms are also used to donate designated funds and eliminate the need to carryover such funds.

## Planning

When planning the fundraiser, ask the following questions:

- Does the fundraising event conform to the basic policies and Purposes of the PTA?
- Does the activity serve as a good example for children and youth?
- For what purpose will the money be used? How much will be needed? How long will it take to raise it? Will the project have the support of your membership at large?

## Duties of the Fundraising Chairman

- Establish a Plan of Work. (See the Appendix of this guide for the form.)
- Coordinate and work with a committee.
- Comply with local, state and federal laws, along with school district rules.
- Verify that the president has signed the contract or agreement.
- Make certain that all money collected is turned over to the treasurer immediately.
- Ensure that two people from separate households and the treasurer always count money and that all three sign a receipt verifying the amount.
- Ensure money is promptly deposited into the PTA bank account
- Bills are to be paid by check — **NEVER BY CASH!**
- Report all expenditures and profit from the fundraising event to the board and the association at the meeting immediately following the activity. See the Report of Fundraising Activity in the Appendix of this guide.

## Protect Yourself: Get It in Writing

More and more fundraising companies are asking for written contracts. A contract protects

you, the association and the fundraising company by having all major decisions in writing. With a contractual agreement, all parties assume responsibility for complying with the terms, but the Local PTA also begins the fundraising project with a clear understanding of who handles what. Here are some things to look for when reviewing a fundraising contract:

- Double-check all the numbers. Are the costs, percentages, etc. the same as those you agreed on?
- Are all of the desired services included? (For example: kick-off presentations, incentive programs, tallying, packing, and shipping.) Is it clear that the company covers the cost for these services?
- Are the approved promotional materials listed? (Take-home brochures, display kit, sample packs, etc.)
- Are dates for payment and product delivery included and consistent with your verbal agreement? If any payment is required prior to delivery of all merchandise, be sure you have thoroughly checked out the financial status and ethics of the company. Check references with at least two other organizations that have done business with the vendor.
- Is there a clause covering the procedure for handling damaged, unsold, or returned merchandise?
- Make sure the contract is clearly an agreement between two organizations, NOT two individuals. Contracts should receive approval of the executive board. This board approval should be reflected in the executive board meeting minutes. When signing contracts, the signer should sign their title after their name to show they are signing for the PTA and not as an individual.
- Signatures on the written contract should appear:

Jane Doe Fundraising

(Fundraising company name)

By: \_\_\_\_\_

(Company's representative)

ABC Elementary School PTA

PTA's name

By: \_\_\_\_\_

PTA President

- A variety of insurance policies are available to vendors to protect themselves and your PTA against injuries and accidents resulting from use of their product. Other policies also provide proof of coverage for claims under the Deceptive Trade Practices Act. If you have concerns of this nature, consider requesting proof of coverage from your selected vendor before doing business.

### **Before Undertaking the Fundraiser**

- Is the company a recognized fundraising company? How long have they been in business? Ask for and check references.
- Does the company have a local sales representative?
- Establish who will take care of problems — the company, the sales representative or PTA.
- Remember, when the PTA is the determined seller, only the PTA can be responsible for paying the sales tax collected by the PTA. Make sure you provide the vendor with a resale certificate if not selling the merchandise on one of your two tax free days and an exemption certificate if selling at a tax free day or selling an item not subject to sales tax. When the vendor is the determined seller, the PTA should remit the sales tax to the vendor to then be remitted to the Texas Comptroller's office.
- The fundraising company is knowledgeable about fundraising not sales tax issues.. Questions about sales tax should be referred to Texas PTA and/or the Texas Comptroller's office, not the fundraising company.
- Check with the Better Business Bureau to see if any complaints have been filed against the company.

### **Top Ten Things to Remember When Fundraising**

1. Have a specific goal for each fundraiser, regularly remind yourself and your volunteers of that goal, and promote it to the community.
2. Assign an organized person to serve as Fundraising Chairman.
3. If you are using a fundraising company, know the company or check out references and have a written contract.
4. Select a program with a good service package that fits your needs.
5. Make sure the product you're selling represents a good value at a fair price.
6. Look for fundraising activities that have educational value and promote community involvement.
7. Delegate and involve as many volunteers as possible.
8. Keep it short. People lose interest in long projects.
9. Don't overdo it. Remember, kids are in school to learn and parents can only afford so much. Also, remember the children must never be placed in a position of risk.
10. Have fun. It's got to be fun!

## **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 PTA’s. 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.

## **Resources**

### **Texas PTA Resources**

- Texas PTA Local PTA/PTSA Bylaws Template
- *Texas PTA Handbook*
- Liability Insurance Forms and Policy Information
- Texas PTA Web site: [www.txpta.org](http://www.txpta.org)

### **National PTA Resources**

National PTA provides advocacy support, training opportunities, and resources for its

Local PTAs and members. Each year, PTAs in good standing receive a package of materials called the “*The Official PTA Kit*—PTA’s Big Box of Possibilities.” This resource contains information on PTA operations, financial management, membership, program development, and more. Local PTAs receive notice via email annually regarding the distribution of these kits.

Other information is sent to Local PTAs from National PTA throughout the year. Each Local PTA receives a subscription to National PTA’s leadership magazine, *Our Children*, which is issued six times per year. In addition, National PTA maintains an award-winning Web site — [www.pta.org](http://www.pta.org) — as well as a special password protected Web site designed exclusively for PTA members. To access the PTA members’ Web site, use the URL printed on the back of your membership card and follow the instructions to receive your user name and password.

## **Fundraising Ideas From Texas PTA**

### **Donations**

- Mile of pennies, pounds of pennies, pennies for ...
- Asking for donations from parents/PTA members
- Corporate donations

### **Carnivals**

- Field Day Fun (messy games and races)
- Kids Around the World (stress diversity of school population)
- Fun Day
- Spring Carnival
- Fall Festival/Carnival; Halloween Carnival
- Craft Fair; Christmas Craft Fair

## **Food (Check school district policies)**

- Bake sales; bake sale on election day (if school is a polling site)
- After school snack sales (pickles, cupcakes, snow cones)
- Take home dinner (e.g.: casserole ready to cook)
- Community dinners: spaghetti, Mexican, Barbeque
- Breakfast tacos
- Cotton candy at football games
- Concession stands at high school football games

## **Sales**

- School supplies; school store
- T-shirts; school spirit items; shoestrings in school colors; stadium cushions
- Santa's Workshop
- Book Fair
- Used Book Fair
- "Brochure sales" — candy, gift-wrap, cookie tins, etc.
- Family portraits
- Items personalized with students' names
- Halloween carnation sale; Valentine ribbons and carnations
- Poinsettias

## **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 another group or organization, or 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).

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 to or raise money for other organizations or for any individual.
- A PTA may work in partnerships with other groups and may pay its share of joint activities.
- If a coalition with 501(c)(3) status is a separate entity, PTA may contribute funds only if PTA is represented on the governing body of the coalition.

## **Procedure Book**

A procedure book serves as a permanent record of activities and ensures an ongoing PTA program of work. It should contain material and information needed for the job. A three-ring binder with tabbed dividers keeps your records organized.

### **Suggested Table of Contents**

#### **Directory**

- Local PTA Fact Sheet
- Your name, address, phone number and term of office
- Rosters of National, Texas, Area, Council and Local PTA boards
- Names and phone numbers of resources used

#### **Job Description**

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

#### **Plan of Work**

- Copy of your approved plan of work

#### **Budget**

- Local PTA budget
- Treasurer’s reports
- Voucher forms
- Tax exempt forms
- In-depth breakdown of expenditures for your job (can be put with your plan of work)

#### **Bylaws**

- A current copy of the Local PTA bylaws

#### **Events, Projects, Programs**

- List on a separate page each event, project or program (include dates, responsibilities, expenses and evaluation)

#### **Reports**

- A copy of all forms turned into the National, State, Area, Council or Local PTA.
- Award forms
- Annual report: A summary of year’s activities that should not exceed one page (include your recommendations).

#### **Volunteer Hours**

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

#### **PTA Materials**

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

#### **Newsletters**

#### **Past Years Information**

Personalize your Procedure Book to best fit your needs. Ask yourself, “*If I knew nothing about the job, could I do it with this Procedure Book?*”

#### **Information You Should Pass to the Next Chairman:**

- Plan of Work and Budget
- Actual amount of money spent doing your job
- List of resources – don’t forget the most important resource: YOU
- Copy of all reports
- Handouts – include the number of copies made, who they went to and supplies used
- Activity Summary – be specific and give details (who, what, when, where, how)
- Include sample notes, maps and diagrams used.
- Month by month “To Do” list
- Estimate the number of hours you spent on the job
- Recommendations

## **Frequently Asked Financial Questions**

### **1. When do I have to collect sales tax?**

The first criterion is to determine if the PTA is the seller or the vendor is the seller and the PTA is acting as their agent. For PTA to be the seller they must first purchase the merchandise and then determine the selling price. In instances where PTA is the seller, the general rule is: sales tax is collected on any tangible item sold other than at the two tax-free days. This would include, but is not limited to, T-shirts, school supplies, Holiday gift shop gift items and books at Book Fairs. It does not include food items, admission fees (when all of the proceeds go to PTA), or any writings or publications such as cookbooks or student directories of the PTA. ("Of the PTA" means the PTA must have been responsible for the publication of the works even if they had a commercial printer print and bind the publication.)

### **2. When is an audit required?**

An audit is required at the end of each fiscal year or any time authorized check signers change. Additionally, an audit can be conducted at any time the association feels one is needed.

### **3. When does the new treasurer take over the books?**

According to "Texas PTA Local PTA/PTSA Bylaws Template," Article VIII: Officers and Their Election, \*Section 2(d) states: "Officers shall assume their official duties following the close of the school 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 Audit Committee for review. Treasurers should receive books directly from the Audit Committee upon completion of the audit. Upon turning the books over to the audit committee, incoming and outgoing officers should go to the bank and change the

signature card. Once the books are in the Audit Committee's possession, the outgoing officers should no longer sign checks or conduct any transactions.

### **4. 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.

### **5. Are cookbooks, directories or yearbooks taxable?**

No, not if produced by the PTA. It is considered "produced" by PTA if members decide the content, even if printed by a commercial printer,

### **6. When do I have to file a Form 990-EZ?**

If your gross receipts average more than \$25,000 per year based upon a three-year average, you are required to file a Form 990-EZ within four and one-half months after the end of your fiscal year.

### **7. 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 Appendix of this guide for the form.

### **8. 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.

### **9. Can our gift-wrap fundraiser be a tax-free day since we sell over a period of one month?**

Yes, provided certain criteria are met. First, the PTA must purchase inventory AND determine the selling price. Then, if all merchandise purchased is based upon advance order sales and all merchandise is ordered at the same time and all

merchandise is delivered to the PTA on one day by the supplier the Texas Comptroller's office has stated that you may consider this a one-day event even if delivered over a reasonable period of time.

**10. 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.

**11. 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.

**12. 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. Refer to the Appendix of this guide and the "Resources/Forms" section of the *Texas PTA Handbook* for a copy of the letter.

**13. Can our PTA purchase gift cards?**

According to IRS non-profit organizations cannot purchase gift cards. The risk here is individual or member benefit, which is cause for the IRS to remove the non-profit status. Your members (including teachers) or individuals should not benefit personally. The other problem is that when using gift cards, it is truly the same as giving cash. There is no itemized receipt for what was actually purchased with PTA funds. It is recommended to find other ways to show appreciation, For example, for teacher appreciation the PTA could provide providing volunteers to cover classrooms so that the teachers can "go out" to lunch and then ask a restaurant close by to give these teachers a 20 percent discount in support of the teachers.

**14. 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.

**15. 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 should be included in the budget.

# Treasurer's Guide Appendix



## SAMPLES AND FORMS SECTION



# 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.)*

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

<b>Specific Action Steps</b> (Proceso Especifico de Acción)	<b>Start Date</b> (Fecha de Empiezo)	<b>Completion Date</b> (Fecha de Terminación)	<b>Budget</b> (Presupuesto)
<b>Resources:</b> (Recursos)			

# Texas PTA Emergency Needs Relief Fund

In 1995, the Texas PTA created the Texas PTA Emergency Relief Fund to assist PTA members who have suffered economic hardship due to illness, accidents or natural disaster. Financial aid is provided only to the truly needy and is consistent with the need.

## Application for Grant Assistance

1. Look over the Financial Eligibility Chart found on the Texas PTA Web site at <http://www.txpta.org/members/forms/ERF-LowIncomeGuide.pdf> to make sure that you qualify for a financial grant. Add the number of people in your household and use the current IRS FORM 1040 or 1040A for all people in your household who work to check to see if you meet the guidelines. **W-2 forms cannot be accepted.**
2. **If you qualify for a grant, you must mail a copy of the latest IRS Form 1040 or 1040A tax returns with this application as proof of income. If other family members are employed and they file separately, you also must include a copy of their latest Form 1040 or 1040A. Not including this information will only delay the process.**
3. Type or print clearly.
4. Please fill in all the blanks. The information is important and your application cannot be processed unless you answer all the questions. If you have any questions, please contact the Texas PTA Office at (512) 476-6769 or 1-800-TALK-PTA.
5. We will not send verification of receipt of application. You will receive notice in writing when the application is considered.
6. After you have completed the application, please send it to the Texas PTA Office, 408 W. 11<sup>th</sup> Street, Austin, Texas 78701-2199.
7. **Funds are never paid directly to the recipient. All applications should include bills the recipient is requesting to be paid or a gift certificate from a specified location can be requested.**
8. As funds are limited, grants may be made for only a portion of your request.

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City/Zip Code: \_\_\_\_\_

Home Phone: \_\_\_\_\_

Work Phone: \_\_\_\_\_

Social Security #: \_\_\_\_\_

Local PTA #: \_\_\_\_\_

City: \_\_\_\_\_

Specific reason applying for grant: \_\_\_\_\_

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List payees and amount of each payment you are requesting: \_\_\_\_\_

---

Total amount applied for: \_\_\_\_\_

Will you be asking for assistance from other organizations? If so, who? \_\_\_\_\_

---

Does your family have medical insurance? \_\_\_\_\_

Does your family have disability insurance? \_\_\_\_\_

Signature of Local PTA President: \_\_\_\_\_

**Use the chart found on the Texas PTA Web site at <http://www.txpta.org/members/forms/ERF-LowIncomeGuide.pdf>. If you qualify for a grant according to these guidelines, you must mail a copy of the latest IRS Form 1040 or 1040A tax returns with this application as proof of income. If other family members are employed and they file separately, you also must include a copy of their latest Form 1040 or 1040A.**

Your total annual adjusted gross family income (to include all employed family members) from the latest Form 1040 or 1040A tax return: \$ \_\_\_\_\_

How much do you earn before taxes? Give the amount on the line below that describes how you are paid.

\$ \_\_\_\_\_ /hour    \$ \_\_\_\_\_ / week    \$ \_\_\_\_\_ / 2 weeks    \$ \_\_\_\_\_ / month

Your estimated income for this year: \$ \_\_\_\_\_

How did you learn about the Texas PTA Emergency Needs Relief Fund? \_\_\_\_\_

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# Equipment/Money Donations Sample Form #1

[Agreement to donate a specific sum of money to  
the school/district for a specific purpose.]

Agreement between \_\_\_\_\_ PTA and \_\_\_\_\_  
(School/School District)

The \_\_\_\_\_ PTA is donating \$ \_\_\_\_\_ to the \_\_\_\_\_  
school/district for the following purpose/purchase(s) of: \_\_\_\_\_ . If

this purchase is not made by \_\_\_\_\_, this amount will be returned to the PTA. The PTA  
(Date)

will be provided with a copy of the purchase order or requisition and a copy of the paid invoice.

Signed \_\_\_\_\_ Date: \_\_\_\_\_  
PTA President

\_\_\_\_\_  
Principal/Administrator Date: \_\_\_\_\_

----- *In the case of equipment purchase, also complete the following* -----

The \_\_\_\_\_ PTA is donating money for purchase of the following:

The/these item(s) will become the property of the school. It is to be used for the following purpose(s): \_\_\_\_\_  
\_\_\_\_\_

The PTA may use the item(s) under the following conditions: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The school will be responsible for maintenance of the item and for providing supplies. In case of loss or theft, the school will be responsible for replacement and agrees to replace the item with a like kind. The school will hold PTA harmless for any claim arising out ownership or the use of the item(s).

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
PTA President

\_\_\_\_\_  
Principal/Administrator Date: \_\_\_\_\_

\* The PTA membership must provide for any expenditure through a budget adoption/ amendment and a specific vote at a regular meeting. This agreement is void if not ratified by the membership.

# Equipment/Money Donations Sample Form #2

[Capital equipment purchased by the PTA, donated to the school.]

Agreement between \_\_\_\_\_ PTA and \_\_\_\_\_  
(School/School District)

The \_\_\_\_\_ PTA has purchased the following \_\_\_\_\_ and  
is donating it/them to the \_\_\_\_\_ for the following use(s)/purpose(s):  
(School)

\_\_\_\_\_. The \_\_\_\_\_ PTA  
may/may not use the items under the following condition(s): \_\_\_\_\_

\_\_\_\_\_. The school will be responsible for the maintenance of  
the item(s). The school also will be responsible for providing for the safe and continuing operation of the  
item(s). In case of loss or theft, the school will be responsible for replacement and agrees to replace the  
item with a like kind. The school will hold PTA harmless for any claim arising out of ownership or use of  
the item(s).

Signed \_\_\_\_\_ Date: \_\_\_\_\_  
PTA President

\_\_\_\_\_ Date: \_\_\_\_\_  
Principal/Administrator

\* The PTA membership must provide for any expenditure through a budget  
adoption/amendment and a specific vote at a regular meeting. This agreement is void if not  
ratified by the membership.

# Equipment/Money Donations Sample Form #3

[For capital equipment purchased by the PTA, ownership to be retained by the PTA, the item to be stored at the school. Example: popcorn popper.]

Agreement between \_\_\_\_\_ PTA and \_\_\_\_\_  
(School/School District)

The \_\_\_\_\_ PTA has purchased the following for its own use: \_\_\_\_\_  
\_\_\_\_\_

This equipment will be stored at \_\_\_\_\_  
(School)

but will remain the property of the PTA.

It may be used only by PTA members or under their supervision. This item may not be used by school \_\_\_\_\_ staff and/or \_\_\_\_\_ students. Anyone using the property other than the PTA will pay for supplies and maintenance.

Should the item be stolen or misplaced, the PTA will be responsible for replacement, but anyone other than PTA using the item when loss occurs will agree to be liable for reimbursement to the PTA for the cost of replacement.

Signed \_\_\_\_\_ Date: \_\_\_\_\_  
PTA President

\_\_\_\_\_ Date: \_\_\_\_\_  
Principal/Administrator

\* The PTA membership must provide for any expenditure through a budget adoption/amendment and a specific vote at a regular meeting. This agreement is void if not ratified by the membership.



## \_\_\_\_\_ PTA/PTSA Records Retention Policy

The \_\_\_\_\_ PTA/PTSA adopted this policy regarding records retention on \_\_\_\_\_ (date). This policy shall be reviewed by the \_\_\_\_\_ PTA/PTSA executive board annually and may only be changed by a majority vote of membership at a regular meeting. This document shall be maintained by the secretary of this PTA.

Description of Record(s)	Manner of Record-Keeping*	Disposition
Accounts payable records		7 years
Annual audit reports		Permanent
Articles of Incorporation, if applicable		Permanent
Bank reconciliations		1 year
Bylaws, including all amendments		Permanent
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.)		Permanent
Contracts and leases (expired)		7 years
Contracts and leases still in effect		Permanent
Corporation reports filed with the secretary of state, if incorporated		Permanent
Correspondence with customers or vendors		1 year
Correspondence (general)		3 years
Correspondence (legal)		Permanent
Duplicate deposit slips		1 year
Employee records (post-termination), if applicable		3 years
Employment applications, if applicable		3 years
Ethics/Conflict of Interest Policy	Secretary	Permanent
Equipment owned by the PTA		Permanent
Financial statements (year-end) and budgets		10 years
Grant award letters of agreement		10 years
Insurance records, accident reports, claims, policies, certificates		Permanent
Inventories (products and materials)		7 years
Invoices		7 years
Journals (ledger books)		Permanent
Minute books of board, I regular and committees		Permanent

Description of Record(s)	Manner of Record-Keeping*	Disposition
PTA charter		Permanent
Purchase orders		7 years
Record retention policy		Permanent
Sales records		7 years

Standing rules (current)		Permanent
Tax-exempt status documents <ul style="list-style-type: none"> <li>▪ Letter assigning IRS Employee Identification Number (EIN)</li> <li>▪ Form 990/990-EZ and Schedule A, as filed with IRS</li> <li>▪ State tax information returns, as filed</li> <li>▪ Form 990-T, if applicable, for unrelated business income</li> <li>▪ Correspondence with IRS</li> <li>▪ Other information returns filed with the government</li> </ul>		Permanent
Vouchers for payments to vendors, officers, etc. (includes allowances and reimbursements to officers, members, etc., for travel and other expenses)		7 years

\* *The "Manner of Record-Keeping" refers to both the storage location as well as the type of record (electronic or print).*

# SAMPLE AUDIT REPORT

Name of Local PTA \_\_\_\_\_ Date \_\_\_\_\_

Council PTA \_\_\_\_\_ Area PTA # \_\_\_\_\_

Balance on Hand  
(Date of last audit) \$ \_\_\_\_\_

Receipts  
(From last audit to date of current audit) \$ \_\_\_\_\_

Total Cash \$ \_\_\_\_\_

Disbursements  
(From last audit to date of current audit) \$ \_\_\_\_\_

Balance on Hand  
(Date of audit) \$ \_\_\_\_\_

Date of Audit \_\_\_\_\_

We have examined the records of \_\_\_\_\_ PTA and find them to be:

(Choose one of the following)

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

\_\_\_\_\_  
\_\_\_\_\_

- incorrect.

The following irregularities were found:

\_\_\_\_\_  
\_\_\_\_\_

We make the following recommendations:

\_\_\_\_\_  
\_\_\_\_\_

Auditors' signatures:

Date audit completed: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

# PTA Reimbursement Voucher

Payable to: \_\_\_\_\_ Date needed: \_\_\_\_\_

Address: \_\_\_\_\_ Phone: \_\_\_\_\_

Check requester: \_\_\_\_\_ Date: \_\_\_\_\_

Account to Debit: \_\_\_\_\_ Invoice # \_\_\_\_\_

(If your invoice reflects more than one account, please identify each and amount that should be deducted from each.)

\_\_\_\_\_  
 \_\_\_\_\_

Item	Place of Purchase	Amount
	Total:	

**(Receipts should be attached and sales tax will not be reimbursed)**

**Treasurer's Notes:**  
 Date Invoice Received: \_\_\_\_\_  
 Plan of Work \_\_\_\_\_ Motion: \_\_\_\_\_  
 Date Approved: \_\_\_\_\_ Paid: \_\_\_\_\_  
 Check Number: \_\_\_\_\_  
 Amount of Check: \_\_\_\_\_

Remarks:

Chairman's Authorization: \_\_\_\_\_

Treasurer's Signature: \_\_\_\_\_

President's Signature: \_\_\_\_\_

**Attach receipt(s)**  
 —SAMPLE—

# PTA Disbursement Voucher

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Date of request: \_\_\_\_\_ Date check needed: \_\_\_\_\_

Make check payable to: \_\_\_\_\_

Account to be debited: \_\_\_\_\_

(If your invoice reflects more than one account, please identify each and the amount that should be deducted from each). Remember to use the exemption certificate when purchasing items for PTA use. Sales tax *should not* be reimbursed.

Item	Place of Purchase	Amount

**Total \$** \_\_\_\_\_

Remarks:

**Treasurer's Notes:**

Invoice Received: \_\_\_\_\_

Date Paid: \_\_\_\_\_

Check Number: \_\_\_\_\_

Amount: \_\_\_\_\_

**Attach Receipts (s)**

**IRS Tax Exempt Memo  
Internal Revenue Service**

**Department of the Treasury  
P.O. Box 2508  
Cincinnati, OH 45201**

**Date:** January 25, 2001

PTA Texas Congress  
PTA-TX  
408 W 11th St Austin, TX 78701

**Person to Contact:**  
Alvin Gadd 31-07339  
Customer Service Representative

**Toll Free Telephone Number:**  
**8:00 a.m. to 9:30 p.m. EST**  
877-829-5500

**Fax Number:**  
513-263-3756

**Federal Identification Number:** 74-1054403  
**Group Exemption Number:** 1889

Dear Sir or Madam:

We have received your request for affirmation of your organization's tax-exempt status.

Your organization is exempt under section 501 (c)(3) of the Code because it is included in a group ruling issued to PTA Texas Congress, located in Austin, TX.

Individual exemption letters are not available to organizations included in group rulings. The group exemption letter applies to all of the subordinate organizations on whose behalf the PTA Texas Congress has applied for recognition of exemption. If you want a copy of the group exemption letter, please contact your parent organization.

Your organization is required to file Form 990, Return of Organization Exempt from Income Tax, only if its gross receipts each year are normally more than \$25,000. If a return is required, it must be filed by the 15th day of the fifth month after the end of the organization's annual accounting period. The law imposes a penalty of \$20 a day, up to a maximum of \$10,000, when a return is filed late, unless there is reasonable cause for the delay.

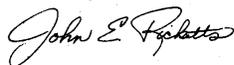
Donors may deduct contributions to your organization as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to your organization or for its use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

The law requires you to make your organization's annual return available for public inspection without charge for three years after the due date of the return. You can charge only a reasonable fee for reproduction and actual postage costs for the copied materials. The law does not require you to provide copies of public inspection documents that are widely available, such as by posting them on the Internet (World Wide Web). You may be liable for a penalty of \$20 a day for each day you do not make these documents available for public inspection (up to a maximum of \$10,000 in the case of an annual return).

PTA Texas Congress PTA-TX 74-1054403

If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely,



John E. Ricketts, Director, TE/GE  
Customer Account Services

## Important Information from the Texas Comptroller



### COMPTROLLER OF PUBLIC ACCOUNTS

P.O. BOX 13528  
AUSTIN, TX 78711-3528

October 19, 2006

Karen Slay  
Treasurer  
Texas Congress of Parents and Teachers  
405 West 11<sup>th</sup> Street  
Austin, Texas 78701-2113

Dear Ms. Slay:

Texas Congress of Parents and Teachers is exempt from **Texas franchise** tax as an educational organization effective March 5, 1923, and from **Texas sales and use tax** and the **state portion of hotel occupancy tax** effective September 1, 1975. The organization is also recognized as a 501(c)(3) group organization.

This exemption also covers all Parents and Teachers Associations (PTAs) that are affiliated members of Texas Congress of Parents and Teachers.

The organization has a Texas sales and use tax permit, and the Texas Taxpayer Identification number assigned to the organization is 17410544039. Please reference this number in correspondence with us. Exempt organizations must collect taxes on most of their sales. Please give our Tax Assistance Section a call at 1-800-252-5555 if you have questions about your sales tax responsibilities.

The sales tax exemption extends to goods and services purchased for use by your organization. The exemption does not apply if the purchase is for the personal benefit of an individual, or is not related to the organization's exempt purpose. For more information, please see our publication # 96-122, *Exempt Organizations – Sales and Purchases*.

The sales tax exemption certificate can be issued instead of paying tax when buying taxable items related to the exempt purpose of the organization. The exemption certificate does not need a taxpayer identification number to be valid, but you may provide your Texas Taxpayer Identification Number if the seller requests it.

Employees of the organization may issue a hotel exemption certificate in the name of the organization when traveling on official business, in lieu of paying the state portion of the hotel occupancy tax. Individuals or groups of individuals who are not employees of the organization may also issue a hotel exemption certificate in the name of the organization when traveling on official business, but, for the hotel tax exemption to apply, payment must be made with the organization's funds.

The hotel may require a copy of your exemption letter or other verification, such as a printout from the Comptroller's list of exempt entities, showing the organization is exempt from hotel tax. This allows the hotel to accept the exemption certificate in good faith.

Exemption certificates are enclosed. Make as many copies of the exemption certificates as you need.

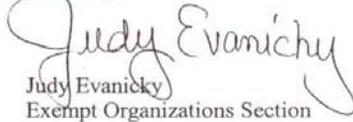
Changes to the organization's registered agent and registered office address must be filed with the Texas Secretary of State. The changes can be made online at

<http://www.sos.state.tx.us/corp/sosda/index.shtml> or you can download the forms and instructions from [http://www.sos.state.tx.us/corp/forms\\_option.shtml](http://www.sos.state.tx.us/corp/forms_option.shtml). You can also contact them at [corpinfo@sos.state.tx.us](mailto:corpinfo@sos.state.tx.us) or by calling (512) 463-5582. It is important to maintain current registered agent information, because this is how we will contact you if we have reason to believe that your organization no longer qualifies for exemption.

Our goal is to provide you with prompt, professional service. Please take a moment to complete the enclosed survey. Or, you may complete our on-line survey at <http://aixtcp.cpa.state.tx.us/surveys/tpsuvr2/index.html>.

If you have any questions, write to us at [exempt.orgs@cpa.state.tx.us](mailto:exempt.orgs@cpa.state.tx.us), or call us toll-free at 1-800-531-5441, extension 34726. Also, our publications, exemption certificates and other helpful information are online at <http://www.window.state.tx.us/taxinfo/exempt>.

Sincerely,

  
Judy Evanicky  
Exempt Organizations Section



## COMPTROLLER OF PUBLIC ACCOUNTS

P.O. BOX 13528  
AUSTIN, TX 78711-3528

October 19, 2006

Karen Slay  
Treasurer  
Texas Congress of Parents and Teachers  
408 W. 11<sup>th</sup> Street  
Austin, Texas 78701-2113

Dear Ms. Slay:

Texas Congress of Parents and Teachers has obtained exemption from Texas franchise tax, sales and use tax, and the state portion of hotel occupancy tax as an educational organization. The entity is also recognized as a 501(c)(3) group organization. The taxpayer identification number on our records is 17410544039.

Local PTA chapters that are recognized under the federal group exemption are also exempt from Texas taxes as educational organizations. Although no further application is required for the local chapters to issue valid exemption certificates, to be listed on our database and obtain a letter of exemption in their name, the local chapter must submit the following information:

- AP-207, "Application for Exemption- Educational Organizations"
- A letter from the parent that confirms the affiliation or a web site address where the affiliation can be confirmed.

The date the local chapter was formed and recognized under the group exemption should be provided in item 3 of the application (form AP-207.) This will allow us to appropriately add the exemption to our records with the earliest date. If the organization is incorporated, be sure to include the Texas file number and date of incorporation item 8.

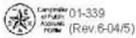
If you have questions, send us an email at [exempt.orgs@cpa.state.tx.us](mailto:exempt.orgs@cpa.state.tx.us), or call 1-800-531-5441, extension 32995. In Austin, the number is 463-2995.

Sincerely,



Irene Cage  
Exempt Organizations Section

# Texas Sales and Use Tax Resale Certificate



## TEXAS SALES AND USE TAX RESALE CERTIFICATE

Name of purchaser, firm or agency	Phone (Area code and number)
Address (Street & number, P.O. Box or Route number)	
City, State, ZIP code	
Texas Sales or Use Tax Permit Number (or out-of-state retailer's registration number or date applied for Texas Permit – must contain 11 digits if from a Texas permit) <div style="border: 1px solid black; width: 100px; height: 15px; margin: 5px 0;"></div> (Mexican retailers must show their Federal Taxpayers Registry (RFC) number on the certificate and give a copy of their Mexican registration form to the seller.)	

I, the purchaser named above, claim the right to make a non-taxable purchase (for resale of the taxable items described below or on the attached order or invoice) from:

Seller: \_\_\_\_\_

Street address: \_\_\_\_\_

City, State, ZIP code: \_\_\_\_\_

Description of items to be purchased on the attached order or invoice:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Description of the type of business activity generally engaged in or type of items normally sold by the purchaser:

\_\_\_\_\_

\_\_\_\_\_

The taxable items described above, or on the attached order or invoice, will be resold, rented, or leased by me within the geographical limits of the United States of America, its territories and possessions, or within the geographical limits of the United Mexican States, in their present form or attached to other taxable items to be sold.

I understand that if I make any use of the items other than retention, demonstration or display while holding them for sale, lease or rental, I must pay sales tax on the items at the time of use based upon either the purchase price or the fair market rental value for the period of time used.

*I understand that it is a criminal offense to give a resale certificate to the seller for taxable items that I know, at the time of purchase, are purchased for use rather than for the purpose of resale, lease, or rental and, depending on the amount of tax evaded, the offense may range from a Class C misdemeanor to a felony of the second degree.*

Purchaser	Title	Date
-----------	-------	------

This certificate should be furnished to the supplier. Do **not** send the completed certificate to the Comptroller of Public Accounts.

# Texas Sales and Use Tax Exemption Certificate

 01-339 (Back)  
(Rev. 6-04/5)

## TEXAS SALES AND USE TAX EXEMPTION CERTIFICATION

Name of purchaser, firm or agency	
Address (Street & number, P.O. Box or Route number)	Phone (Area code and number)
City, State, ZIP code	

I, the purchaser named above, claim an exemption from payment of sales and use taxes (for the purchase of taxable items described below or on the attached order or invoice) from:

Seller: \_\_\_\_\_

Street address: \_\_\_\_\_ City, State, ZIP code: \_\_\_\_\_

Description of items to be purchased or on the attached order or invoice:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Purchaser claims this exemption for the following reason:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

I understand that I will be liable for payment of sales or use taxes which may become due for failure to comply with the provisions of the Tax Code: Limited Sales, Excise, and Use Tax Act; Municipal Sales and Use Tax Act; Sales and Use Taxes for Special Purpose Taxing Authorities; County Sales and Use Tax Act; County Health Services Sales and Use Tax; The Texas Health and Safety Code; Special Provisions Relating to Hospital Districts, Emergency Services Districts, and Emergency Services Districts in counties with a population of 125,000 or less.

*I understand that it is a criminal offense to give an exemption certificate to the seller for taxable items that I know, at the time of purchase, will be used in a manner other than that expressed in this certificate and, depending on the amount of tax evaded, the offense may range from a Class C misdemeanor to a felony of the second degree.*

 Purchaser	Title	Date
---	-------	------

NOTE: This certificate cannot be issued for the purchase, lease, or rental of a motor vehicle.  
**THIS CERTIFICATE DOES NOT REQUIRE A NUMBER TO BE VALID.**  
 Sales and Use Tax "Exemption Numbers" or "Tax Exempt" Numbers do not exist.

This certificate should be furnished to the supplier. Do **not** send the completed certificate to the Comptroller of Public Accounts.

**FOREST TRAIL ELEMENTARY PTA  
Proposed Summer Budget  
Fiscal Year Ending June 30, 2010**

<b>Estimated Beginning Cash Balance, July 1, 2009</b>	<b><u>Budget</u></b> <b>\$ 1,250.00</b>
 <b><u>RECEIPTS</u></b>	
Dues-300 members (local portion @ \$ 1.50) .....	450.00
T-Shirt Sales .....	2,500.00
Interest Income.....	<u>30.00</u>
 Total Gross Receipts .....	 <u>2,980.00</u>
 <b>TOTAL FUNDS AVAILABLE.....</b>	 <b>\$ 4,230.00</b>
	=====
 <b><u>EXPENDITURES</u></b>	
Bonding/Insurance .....	301.00
Fall Festival.....	750.00
Hospitality.....	50.00
Membership Campaigns .....	150.00
Student Incentives.....	300.00
T-shirts.....	2,000.00
Printing, Postage, & Office Supplies .....	100.00
Summer Seminar .....	<u>400.00</u>
 Total Expenditures.....	 <u>4,051.00</u>
 Balance to be carried forward .....	 179.00
 <b>TOTAL</b>	 <b>\$ 4,230.00</b>
	=====

**THIS IS A SAMPLE OF A BUDGET THAT WOULD BE PRESENTED AT THE FINAL MEETING OF THE CURRENT YEAR TO AUTHORIZE THE ASSOCIATION'S EXPENSES FOR THE SUMMER MONTHS AND UNTIL THE ASSOCIATION'S FIRST MEETING OF THE NEW YEAR. AT THAT TIME THIS BUDGET WOULD BE AMENDED TO INCLUDE ALL INCOME AND EXPENSES FOR THE FULL FISCAL YEAR.**

Receipts Not Belonging to Local PTA	\$1,400 *
State and National Dues 300 members @ \$4	1,200
Sales Tax	200
 Disbursement of Monies not Belonging to Local PTA	 \$1,400 *

\* Should be the same dollar amount



# Sample Financial Report Forest Trail Elementary PTA

10/7/09-11/10/09

**Beginning Balance as of October 7, 2009** \$ **1696.60**

**Receipts** (List all receipts item by item)

Membership Dues	\$	100.50
T-shirts	\$	750.00
School Store	\$	<u>1,428.27</u>
Total Receipts	+\$	2,278.77

**Disbursements** (List all disbursements by check number and the budget line item account name from which the expense was paid)

#204 Suzy Jones, Leadership Training (Summer Leadership Seminar)	\$	127.66
#205 Ann Jackson, Membership (supplies)	\$	22.88
#206 Texas PTA, Dues (state and national)	\$	134.00
#207 Ann Matthews, Parent Education (videos)	\$	44.00
#208 Kathy Smith, Arts In Education (speaker fee)	\$	<u>250.00</u>
Total Disbursements	-\$	578.54

**Ending Balance as of November 10, 2009**      **TOTAL**      \$ **3,396.83**

**Please Note:** The beginning balance of the treasurer's report should coincide with the ending balance from the previous meeting. Therefore, there are different reports for the executive board and the association meeting.

**FOREST TRAIL ELEMENTARY PTA  
Proposed Mid-Year Amended Budget  
As of November 10, 2009**

	<u>YTD Actual</u>	<u>Approved Budget</u>	<u>Proposed Budget Changes</u>
Balance from Previous Year, July 1, 2009.....	\$ 1,124.76	1,124.76	
<b><u>RECEIPTS</u></b>			
Dues-700 members (local portion @ \$ 1.50).....	900.00	1,050.00	
Fall Festival .....	6,257.00	6,000.00	6,257.00
T-Shirt Sales.....	3,660.00	4,500.00	
Cultural Arts Event .....	0.00	1,200.00	
Donations.....	500.00	0.00	500.00
Popcorn Sales .....	165.00	500.00	
Recycling Income.....	330.00	300.00	330.00
Interest Income .....	48.00	120.00	
Directory Sales .....	250.00	450.00	
Book Fair .....	<u>0.00</u>	<u>12,000.00</u>	
<b>TOTAL GROSS RECEIPTS.....</b>	<b><u>12,110.00</u></b>	<b><u>26,120.00</u></b>	<b><u>26,907.00</u></b>
<b>TOTAL FUNDS AVAILABLE .....</b>	<b><u>\$ 13,234.76</u></b>	<b><u>27,244.76</u></b>	<b><u>\$ 28,031.76</u></b>
=====			
<b><u>EXPENDITURES</u></b>			
Bonding/Insurance.....	301.00	301.00	
Speaker Fees.....	1,500.00	1,500.00	
Founders Day, Endowment & Building Donations .....	30.00	30.00	
Council PTA Dues .....	50.00	50.00	
Cultural Arts.....	438.00	500.00	
Drug & Alcohol Education .....	497.00	500.00	
Fall Festival .....	3,889.87	3,000.00	3,900.00
History Book .....	30.00	75.00	
Hospitality .....	386.00	400.00	
Leadership Training.....	588.00	625.00	
Life Memberships .....	145.50	145.00	
Membership Campaigns .....	124.68	150.00	
Student Incentives.....	300.00	300.00	
Parent Education .....	585.00	600.00	
Popcorn & Supplies .....	80.00	165.00	
Directories .....	200.00	200.00	
T-shirts .....	1,955.00	2,000.00	2,600.00
Volunteer Supplies.....	98.27	100.00	150.00
Printing, Postage, & Office Supplies.....	476.23	880.00	
Officer & Chairmen's Reimbursements .....	115.00	580.00	
Teacher Scholarships .....	0.00	2,000.00	
Book Fair .....	0.00	7,000.00	
Convention .....	876.00	1,000.00	
Summer Seminar .....	339.00	500.00	
Area PTA Spring Conference.....	0.00	100.00	
Area PTA Fall Workshop .....	<u>42.00</u>	<u>50.00</u>	
<b>Total Expenditures .....</b>	<b>13,046.55</b>	<b>22,751.00</b>	<b>24,301.00</b>
<b>Balance to be Carried Forward.....</b>	<b>188.21</b>	<b>4,493.76</b>	<b>3,730.76</b>
<b>TOTAL.....</b>	<b><u>\$ 13,234.76</u></b>	<b><u>27,244.76</u></b>	<b><u>\$28,031.76</u></b>
=====			
Receipts Not Belonging to Local PTA		\$4,150 *	
State and National Dues 700 members @ \$4	2,800		
Sales Tax	1,350		
Disbursement of Monies not Belonging to Local PTA		\$4,150 *	

\* Should be the same dollar amount

**Annual Report**  
**Fiscal Year Ending June 30, 2010**

	<u>YTD Actual</u>	<u>Budget</u>
Beginning Cash Balance, July 1, 2009.....	\$ 1,124.76	1,124.76
<b><u>RECEIPTS</u></b>		
Dues-700 members (local portion @\$ 1.50).....	1,071.00	1,050.00
Fall Festival.....	6,257.00	6,257.00
T-Shirt Sales.....	4,660.00	4,500.00
Cultural Arts Event.....	1,200.00	1,200.00
Donations.....	500.00	500.00
Popcorn Sales.....	315.00	500.00
Recycling Income.....	330.00	330.00
Interest Income.....	98.00	120.00
Directory Sales.....	350.00	450.00
Book Fair.....	<u>14,218.00</u>	<u>12,000.00</u>
<b>Total Gross Receipts.....</b>	<b><u>28,999.00</u></b>	<b><u>26,907.00</u></b>
<b>TOTAL FUNDS AVAILABLE .....</b>	<b><u>\$ 30,123.76</u></b>	<b><u>\$ 28,031.76</u></b>
<b><u>EXPENDITURES</u></b>		
Bonding/Insurance.....	301.00	301.00
Speaker Fees.....	1,500.00	1,500.00
Founders Day, Endowment & Building Donations .....	30.00	30.00
Council PTA Dues .....	50.00	50.00
Cultural Arts.....	438.00	500.00
Drug & Alcohol Education .....	457.00	500.00
Fall Festival.....	3,899.87	3,900.00
History Book .....	58.85	75.00
Hospitality .....	386.00	400.00
Leadership Training.....	588.00	625.00
Life Memberships.....	145.50	145.00
Membership Campaigns .....	124.68	150.00
Student Incentives.....	300.00	300.00
Parent Education.....	585.00	600.00
Popcorn & Supplies.....	163.00	165.00
Directories .....	200.00	200.00
T-shirts .....	2,555.00	2,600.00
Volunteer Supplies.....	148.27	150.00
Printing, Postage, & Office Supplies.....	776.23	880.00
Officer & Chairmen's Reimbursements .....	515.44	580.00
Teacher Scholarships .....	2,000.00	2,000.00
Book Fair.....	6,978.00	7,000.00
Convention .....	976.00	1,000.00
Summer Seminar .....	489.00	500.00
Area PTA Spring Conference.....	88.00	100.00
Area PTA Fall Workshop.....	<u>42.00</u>	<u>50.00</u>
<b>Total Expenditures .....</b>	<b>23,794.84</b>	<b>24,301.00</b>
<b>Balance to be Carried Forward.....</b>	<b>6,238.92</b>	<b>3,730.76</b>
<b>TOTAL.....</b>	<b><u>\$ 30,123.76</u></b>	<b><u>\$ 28,031.76</u></b>

Receipts Not Belonging to Local PTA		\$2,550*
State and National Dues 300 members @ \$4	1,200	
Sales Tax	1,350	
Disbursement of Monies not Belonging to Local PTA	\$2,550*	

\* Should be the same dollar amount



# EIN VERIFICATION FORM

*This form must be returned to Texas PTA by January 31.*

In order for your Local PTA to be covered by the Texas PTA group exemption, we must submit current information on your behalf to the IRS annually. In order for your Local PTA to be included on our list of subordinate PTAs covered by our group ruling, this form must be completed and returned by January 31, 2010.

PTAs not responding will be subject to income tax, and their donations can not be considered charitable contributions by donors.

If you have any questions, contact the Member Services Department at 1-800-TALK-PTA.

**Unit Name** \_\_\_\_\_ **Unit #** \_\_\_\_\_

**Unit City** \_\_\_\_\_

**School District** \_\_\_\_\_

**Federal Identification #**

		-							
--	--	---	--	--	--	--	--	--	--

**Which 990 Form did you file last year?**       990     990EZ     990N

\_\_\_\_\_  
*(President's Signature)*

\_\_\_\_\_  
*(Date)*

\_\_\_\_\_  
*(Treasurer's Signature)*

\_\_\_\_\_  
*(Date)*

**Please return the completed and signed form to:**

**TEXAS PTA  
Attn: Member Services Department  
408 W. 11th Street  
Austin, Texas 78701-2113**

# 501(c) (3) Issues & Form 990

## The IRS & PTA

### A. 501c(3) Status

1. Granted to Texas PTA and all affiliated Local/Council PTAs
2. Group Exemption # 1889
3. IRS Determination Letter located in the *Treasurer's Guide* and in the Financial Information section of the *Texas PTA Handbook*
4. Local PTAs need not file Form 1023, Application for Exempt Status
5. Updated list of affiliated Local PTAs filed by Texas PTA annually. The list includes federal ID # and whether or not your Local/Council PTA's gross receipts normally exceed \$ 25,000.
6. Contributions to PTA, whether cash or donated services, are tax deductible to contributor as a charitable contribution for federal income tax purposes.
  - a. Volunteers may deduct as personal charitable contributions unreimbursed mileage incurred on PTA business equal to 14 cents a mile.
  - b. Volunteers may deduct as personal charitable contributions unreimbursed out of pocket expenses incurred in the furthering of PTA purposes.

### B. Federal Identification Numbers (Also known as Employer Identification Number)

1. All PTAs must have their own FIN - Never use an individual's or school's FIN
2. Your number should be on file with Texas PTA. PTAs should file the EIN Verification Form with the Texas PTA office each year by January 31.

### C. Form 990-EZ

1. Required if annual gross receipts average in excess of \$25,000 and less than \$100,000 (If more than \$100,000, required to file 990)
  - a. If first year gross receipts in excess of \$37,500
  - b. If first two years average in excess of \$30,000
  - c. Thereafter if average in excess of \$25,000
2. Definition of "Gross Receipts"
  - a. Before any cost of merchandise or expenses subtracted
  - b. Does not include state and national portion of dues or sales tax
  - c. Includes all funds taken in whether for profit or as a service
3. Due Date: 15th day of fifth month after close of PTA's fiscal year
  - a. Check Article XV of your bylaws if unsure of your year end
  - b. Substantial penalties for failure to file, filing late, or filing incomplete return
    - 1) \$20/day, not to exceed the smaller of \$10,000 or five percent of gross receipts
    - 2) Waiver of penalties for "reasonable cause." You may contact Texas PTA for assistance in getting penalties waived if a first-time filer.
  - c. Fines and imprisonment of "responsible person" for willful failing to file a return
  - d. Three-month extension available, if needed
    - 1) Use IRS Form 2758
    - 2) Must be postmarked by due date of return to avoid penalties
4. Schedule A must be attached to all 990s with the exception of 990-N.
  - a. Part I, Reason for Non-Private Status
    - 1) Must check box 9 — We have a group exemption, therefore we are all exempt for the same reason.
  - b. Recap of previous four years income required
5. **Some Local 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. 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. 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 or Box M on the 990.

6. Other 990 information
  - a. Informational Return only - No tax will be due
  - b. PTA required to make returns filed in last 3 years available for public inspection
  - c. Returns subject to IRS audit for three years from date filed
  - d. If forms received in mail but PTA grosses less than \$25,000, need to file the forms received from the IRS or file the 990-N. If PTA chooses to check Box K indicating gross income under \$25,000, PTA must complete entire return, including Schedule A and also Schedule B, if required.
  - e. If no forms are received but PTA grosses more than \$25,000, it is the PTA's responsibility to obtain the forms and file by due date.
  - f. Always keep a copy of the 990 and annual report for the PTA's permanent record.
  - g. Keep a copy of all correspondence with the IRS according to the adopted records retention policy.
  - h. Filing of the return should be the responsibility of the **outgoing** treasurer. Signing the form is the responsibility of the president and needs to be presented to the board before filing.

#### D. Change in Accounting year

1. No 990-EZ requirement and year end not previously changed in last 10 years
  - a. Bylaws amendment
2. 990-EZ normally filed and year end not previously changed in last 10 years
  - a. Bylaws amendment
  - b. File 990-EZ for short year
  - c. Attach copy of amended bylaws to return
3. 990-EZ filed and year end changed previously within the last 10 years
  - a. Bylaws amendment
  - b. File 990-EZ for short year created by change in year end and attach copy of amended bylaws.
  - c. File Form 1128 by 15th day of second month of new year. (\$350 fee)
  - d. Approval should be granted prior to filing return for new year end.

#### E. Unrelated Business Income

1. Income generated from a **trade or business** and **unrelated to the organization's exempt purpose**
  - a. An activity is specifically excluded from the definition of **trade or business** where substantially all the work is performed without compensation.
2. Income generated from an activity **regularly carried on**.

#### F. Operational Requirements

1. A PTA's 501(c)(3) status can be jeopardized by violating certain restrictions:
  - a. Only insubstantial sums may be spent on lobbying activities. (General rule: if less than five percent of association's budget spent on lobbying, tax status will not be jeopardized.)
    - 1) 501(h) election allows certain lobbying expenses up to a ceiling amount
  - b. PTA may in no way endorse or contribute to a political candidate, organization or cause.
  - c. No officer or director may benefit monetarily from PTA funds.
  - d. Upon dissolution, all remaining funds must be returned to the state association for use in defined exempt purposes.
2. Violation of these restrictions will result in loss of exempt status.
3. Non-profit organizations must provide a receipt to contributors to include:
  - a. Amount
  - b. Name of contributor and date

- c. Whether donee provided any goods or services for gift. If not, a statement should be included on receipt to the effect of “No benefits have been given in consideration of this gift.”.

#### G. Form 1099's

1. Required for annual payments in excess of \$600 to individuals and unincorporated businesses for services or awards. W-2G is required for raffle winnings valued in excess of \$600.
2. Due to individual by January 31
3. Due to IRS along with form 1096 by February 28
4. Use IRS form W-9 to obtain TIN of payees
5. Penalties of up to \$ 50 per 1099 for failure to file, filing late, or incomplete filing
6. 1099 not required for scholarship payments

**FOREST TRAIL ELEMENTARY PTA  
Annual Report  
Fiscal Year Ending June 30, 2010**

	<u>YTD Actual</u>	<u>Budget</u>
Beginning Cash Balance, July 1, 2009.....	\$ 1,124.76 (19/27A)	1,124.76
<b><u>RECEIPTS</u></b>		
Dues-700 members(local portion @\$ 1.50).....	1,071.00 (3)	1,050.00
Fall Festival .....	6,257.00 (6a)	6,257.00
T-Shirt Sales.....	4,660.00 (7a)	4,500.00
Cultural Arts Event .....	1,200.00 (2)	1,200.00
Donations.....	500.00 (1)	500.00
Popcorn Sales .....	315.00 (7a)	500.00
Recycling Income.....	330.00 (8)	330.00
Interest Income .....	98.00 (4)	120.00
Directory Sales .....	350.00 (7a)	450.00
Book Fair .....	<u>14,218.00 (7a)</u>	<u>12,000.00</u>
<b>Total Gross Receipts.....</b>	<b><u>28,999.00 (L)</u></b>	<b><u>26,907.00</u></b>
<b><u>EXPENDITURES</u></b>		
Bonding/Insurance.....	301.00 (16)	301.00
Speaker Fees.....	1,500.00 (13)	1,500.00
Founders Day, Endowment & Building Donations .....	30.00 (10)	30.00
Council PTA Dues .....	50.00 (10)	50.00
Cultural Arts.....	438.00 (16)	500.00
Drug & Alcohol Education .....	457.00 (16)	500.00
Fall Festival .....	3,899.87 (6b)	3,900.00
History Book .....	58.85 (16)	75.00
Hospitality .....	386.00 (16)	400.00
Leadership Training.....	588.00 (16)	625.00
Life Memberships .....	145.50 (16)	145.00
Membership Campaigns .....	124.68 (16)	150.00
Student Incentives.....	300.00 (16)	300.00
Parent Education .....	585.00 (16)	600.00
Popcorn & Supplies .....	163.00 (7b)	165.00
Directories .....	200.00 (7b)	200.00
T-shirts .....	2,555.00 (7b)	2,600.00
Volunteer Supplies.....	148.27 (16)	150.00
Printing, Postage, & Office Supplies.....	776.23 (15)	880.00
Officer & Chairmen's Reimbursements .....	515.44 (16)	580.00
Teacher Scholarships .....	2,000.00 (10)	2,000.00
Book Fair .....	6,978.00 (7b)	7,000.00
Convention .....	976.00 (16)	1,000.00
Summer Seminar .....	489.00 (16)	500.00
Area Spring Conference.....	88.00 (16)	100.00
Area Fall Workshop .....	<u>42.00 (16)</u>	<u>50.00</u>
<b>Total Expenditures .....</b>	<b>23,794.84</b>	<b>24,301.00</b>
<b>Excess of Receipts over Expenditures.....</b>	<b>5,204.16 (18)</b>	<b>2,606.00</b>
<b>Balance to be Carried Forward.....</b>	<b>6,328.92 (21/27B)</b>	<b>3,730.76</b>

# Previous Reports Used for Schedule A, Part III-A

## FOREST TRAIL ELEMENTARY PTA Annual Report Fiscal Year Ending June 30, 2009 (7/1/08-6/30/09)

	YTD Actual	Budget
Beginning Cash Balance, July 1, 2008 .....	\$2,327.49	\$2,327.49
<b>RECEIPTS</b>		
Dues, 670 members (local portion @ \$1.50) .....	1,005.00	1,050.00
Fall Festival.....	5,842.55	5,500.00
T-Shirt Sales.....	4,860.00	3,500.00
Popcorn Sales.....	622.00	500.00
Interest Income.....	72.67	75.00
Directory Sales.....	430.00	350.00
Book Fair .....	12,545.00	10,000.00
Total Gross Receipts .....	25,377.22	20,975.00
<b>TOTAL FUNDS AVAILABLE.....</b>	<b>\$27,704.71</b>	<b>\$23,302.49</b>

## FOREST TRAIL ELEMENTARY PTA Annual Report Fiscal Year Ending June 30, 2008 (7/1/07-6/30/08)

	YTD Actual	Budget
Beginning Cash Balance, July 1, 2007 .....	\$2,876.33	\$2,876.33
<b>RECEIPTS</b>		
Dues, 625 members (local portion @ \$1.50) .....	937.50	1,000.00
Fall Festival.....	6,823.37	5,500.00
T-Shirt Sales.....	4,755.00	3,500.00
Popcorn Sales.....	427.00	500.00
Interest Income.....	82.00	75.00
Directory Sales.....	375.00	350.00
Book Fair .....	11,376.00	10,000.00
Total Gross Receipts .....	24,775.87	20,925.00
<b>TOTAL FUNDS AVAILABLE.....</b>	<b>\$27,652.20</b>	<b>\$23,801.33</b>

**FOREST TRAIL ELEMENTARY PTA**  
**Annual Report**  
**Fiscal Year Ending June 30, 2007 (7/1/06-6/30/07)**

	YTD Actual	Budget
Beginning Cash Balance, July 1, 2006 .....	\$3,447.28	\$3,447.28
<b>RECEIPTS</b>		
Dues, 625 members (local portion @ \$1.50) .....	937.50	1,000.00
Fall Festival.....	8,724.67	7,500.00
T-Shirt Sales.....	5,450.00	4,500.00
Popcorn Sales.....	628.00	500.00
Interest Income.....	76.55	75.00
Directory Sales.....	575.00	350.00
Book Fair .....	14,187.00	12,000.00
Total Gross Receipts .....	30,578.72	25,925.00
<b>TOTAL FUNDS AVAILABLE.....</b>	<b>\$34,026.00</b>	<b>\$29,372.28</b>

**FOREST TRAIL ELEMENTARY PTA**  
**Annual Report**  
**Fiscal Year Ending June 30, 2006 (7/1/05-6/30/06)**

	YTD Actual	Budget
Beginning Cash Balance, July 1, 2005 .....	\$3,376.53	\$3,376.53
<b>RECEIPTS</b>		
Dues, 625 members (local portion @ \$1.50) .....	937.50	1,000.00
Fall Festival.....	7,624.53	7,500.00
T-Shirt Sales.....	6,475.00	6,500.00
Popcorn Sales.....	528.00	500.00
Interest Income.....	81.47	75.00
Directory Sales.....	545.00	550.00
Book Fair .....	13,783.00	12,500.00
Total Gross Receipts .....	29,974.50	28,625.00
<b>TOTAL FUNDS AVAILABLE.....</b>	<b>\$33,351.03</b>	<b>\$32,001.53</b>

**Texas Congress of PTAs**

**\_\_\_\_\_ PTA Local PTA # \_\_\_\_\_**

**9921 Some St.**

**Dallas, TX 75238-0222**

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EIN# 75-6062144

Form 990

Tax Period May 31, 2009

Penalty Assessed for Late Filing

As Treasurer of the \_\_\_\_\_ PTA, I respectfully request that the penalty assessed against the PTA for late filing of Form 990 be abated. The Parent Teacher Association is staffed entirely by volunteers. As one of the volunteers, I was unaware of the tax-filing deadline for the tax year ending May 31, 2009. Only after I attended a training session did I realize that our Local PTA was required to complete the return. I have now placed it into our year end procedures, so that this will not happen again. The penalty would be a burden to our organization because our fundraising monies are used by our elementary school to provide programs, purchase supplies, equipment, etc., that the school would not otherwise have available. Therefore, we do not have funds available to cover this penalty.

I thank you in advance for any assistance that you may be able to provide to have this penalty abated.

Sincerely,

Miss Money, Treasurer

\_\_\_\_\_ Elementary PTA

# Sample Year End Sales Tax Report

## Sales Tax Status

Every outgoing treasurer should prepare a report to leave with the incoming treasurer detailing any outstanding tax liability. The following example includes all the information the new treasurer would need from her predecessor in order to complete the annual sales tax return.

<b>Fund-raisers Held from January 1 to May 31, 2007</b>					
		<b>Total</b>	<b>Taxable</b>	<b>Tax</b>	
<b>Date(s)</b>	<b>Event</b>	<b>Sales</b>	<b>Sales</b>	<b>Collected</b>	<b>Designation</b>
2/18-2/20/07	Bookfair	\$ 5,417.00	\$3,018.00	\$ 248.99	2/19 Tax free
04/15/07	Carnival	\$ 8,330.00	\$ 895.00	\$ 73.84	
All semester	School Supplies	\$ 2,220.00	\$2,220.00	\$ 183.15	
<b>Totals</b>		<b>\$15,967.00</b>	<b>\$6,133.00</b>	<b>\$ 505.98</b>	

# Itemized Receipt Form

(To be used when giving funds to Treasurer)

Event \_\_\_\_\_ Date \_\_\_\_\_

Chairman \_\_\_\_\_ Phone No. \_\_\_\_\_

Person completing form \_\_\_\_\_ Phone No. \_\_\_\_\_

(Please make sure that there are always 2 people counting money to protect the reliability of the count)

Total of checks (*attach a tape/written account*) \$ \_\_\_\_\_

Bills	#	Amount
\$100		
\$50		
\$20		
\$10		
\$5		
\$2		
\$1		
<b>Total</b>		

**Total Bills** \$ \_\_\_\_\_

Coins	#	Amount
Dollar		
50 Cent		
Quarters		
Dimes		
Nickels		
Pennies		
<b>Total</b>		

**Total Coins** \$ \_\_\_\_\_

**Total Cash** \$ \_\_\_\_\_

**Total Deposit** \$ \_\_\_\_\_

Counter's Signature \_\_\_\_\_

Counter's Signature \_\_\_\_\_ Date \_\_\_\_\_

Received by Treasurer \_\_\_\_\_ Date \_\_\_\_\_

(WHEN TURNING IN A DEPOSIT, PLEASE ALLOW TIME FOR ANOTHER COUNT OF THE TOTAL DEPOSIT SO A RECEIPT CAN BE GIVEN TO THE PERSON TURNING IN THE DEPOSIT)





# Sample for Collection of a Returned Check

Any PTA  
PTA Address  
City, Texas ZIP  
Name , Telephone

**DATE**

**CHECK WRITER  
ADDRESS  
CITY, TX. ZIP**

Dear Mr. (Mrs.) **NAME**,

The following check(s) issued by you, was returned by the bank:

Check:                   **NUMBER**  
Dated:                   **DATE**  
Amount:                 **\$ 0.00**  
Reason for return:     **CHOOSE ONE (Insufficient funds, Account Closed, etc.)**

The issuance of such a check is a violation of the Texas Penal Code for which you may be arrested, tried and if convicted, receive a fine and/or imprisonment.

This is a demand for payment in full for a check or order not paid because of lack of funds or insufficient funds. If you fail to make payment in full within ten (10) days after the date of receipt of this notice, the failure to pay creates a presumption for committing an offense, and this matter will be referred for criminal prosecution.

This is to advise you that if the check(s) is/are not paid off within ten (10) days after receipt of this letter, I will have no alternative but to file a complaint for prosecution. Please mail a money order, or cashiers check in the amount of **\$ 0.00 (\$ 0.00-check, and \*25.00 for return check charge)**, to the above address. I will mail your check(s) after I have received payment in full. If you have any questions, you may contact me at **TELEPHONE**.

I trust this is all that will be necessary in the premises.

Sincerely,

**NAME**  
Treasurer

\*\*\*Notes \*\*\*

\* Please note you must give advance notice of a return check charge. The maximum amount is \$25.00, you may set any amount to cover the expense of collection. It is recommended to request driver's license numbers on all checks.

Send the letter and a copy of the check, (certified - return receipt requested) to the check writer. Keep the stamped green receipt for proof of certification. The 10 days begins on the day they receive the letter. If the check is not paid by cash or money order within 10 days, complete an Affidavit of Issuance of Bad Check and turn over to the Justice of the Peace. Keep copies of all items in your file!



# Natural Disaster Relief Grant Application

Texas PTA Natural Disaster Relief Grants, of up to \$500.00 each, are awarded to Local and Council PTAs within Texas that are recovering from the effects of a recent natural disaster. Application and support materials must be mailed to: Texas PTA Natural Disaster Relief Grant Fund, 408 West 11<sup>th</sup> Street, Austin, Texas 78701. **Applicants will be notified within ten (10) business days from the date the application is received.**

For more information, contact the Texas PTA Director of Finance at 1-800-TALK-PTA.

PTA Name \_\_\_\_\_

PTA President \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ Zip \_\_\_\_\_

Daytime Telephone \_\_\_\_\_ Email \_\_\_\_\_

If a Local PTA:

Unit # \_\_\_\_\_ **Current** Membership \_\_\_\_\_

Council Name \_\_\_\_\_ Area PTA # \_\_\_\_\_

Have you received funds from this grant before?  Yes  No  **Unknown**

If yes, when?  
\_\_\_\_\_

Date and cause of current damage  
\_\_\_\_\_

Check the needs your PTA is currently experiencing:

- |  |  |
|--|--|
| <input type="checkbox"/> Recruitment of Officers                     | <input type="checkbox"/> Parent Education Programs |
| <input type="checkbox"/> PTA Officer Training                        | <input type="checkbox"/> Clothes Closet            |
| <input type="checkbox"/> Leadership Training for Members             | <input type="checkbox"/> School Supply Closet      |
| <input type="checkbox"/> Motivational or Other Programs for Students | <input type="checkbox"/> Library Books             |
| <input type="checkbox"/> Other (please explain) _____                |  |
| _____  |  |
| _____  |  |

Explain the conditions your PTA is currently experiencing:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Explain the financial hardship your PTA is experiencing due to the natural disaster.

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Briefly explain how you intend to use this grant.

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Timeline for implementing your plan:

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Methods to be used to evaluate your plan:

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The \_\_\_\_\_ PTA fully understands that if we are recipients of a Texas PTA Disaster Relief Grant, the money shall not be used for other programs or activities except for those listed on this application form. It is also understood that a written evaluation of our efforts within 90 days of the receipt of the grant money will be due to Texas PTA. Since our project may not be completed within the first 90 days, we know we may be asked to give additional follow-up evaluations. All evaluations are to be sent to Texas PTA, 408 West 11<sup>th</sup> Street, Austin, Texas 78701, Attention: Director of Finance.

_____ PTA President	_____ Date
_____ PTA Secretary	_____ Date

For more information, contact the Director of Finance at 1-800-TALK-PTA.