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STANDARDS OF PTA FUNDRAISING

**Official Training Document of Virginia PTA
November 2006**

The Virginia Congress of Parents and Teachers (Virginia PTA) and all local units and councils in the Virginia PTA are 501 (c) (3) organizations (non-profits) under the Internal Revenue Code as prescribed in our Bylaws, **Article III: Purposes, Section 3 which states,****

“Section 3. The organization is organized exclusively for the charitable, scientific, literary or educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code or corresponding Section of any future Federal tax code (hereinafter "Internal Revenue Code").”

BENEFITS OF BEING A NON-PROFIT

- ◆ We do not pay taxes to the federal government on our gross receipts.
- ◆ Individuals, organizations and businesses may donate money to our organization. These donations are tax-exempt to the donors.
- ◆ In Virginia, our organization does not have to pay sales tax.
- ◆ Coming under the Virginia PTA, local units and councils do not have to file yearly financial records with the Department of Taxation and Office of Consumer Affairs.
- ◆ Non-Profit status is automatically granted to all local units and councils formed under the Virginia PTA without any other requirement of the non-profit application, including non-profit application fees or annual registration fees.

RESPONSIBILITIES OF A NON-PROFIT

- ◆ We must adhere to our Purposes as defined under Article III in our Bylaws and follow IRS guidelines as noted under Article IV: Basic Policies.
- ◆ Local units and councils must file form 990EZ with the IRS if they gross \$25,000 or more in a fiscal year or form 990 if they gross \$100,000 or more in a fiscal year.
- ◆ We are required to keep correct and orderly financial records as prescribed in our bylaws under Article V: Relationship with National PTA and Virginia PTA, Section 4.
- ◆ Each local unit and council is required by the IRS to conduct a fiscal year-end audit. (Virginia Code also requires this and details for these requirements are found under Article VI: Auditing Procedures).
- ◆ While local units and councils are not required to file yearly financial reports with the state of Virginia, they **are required by Virginia Code to file with the Virginia PTA (the parent organization) their EIN number (tax ID number), an annual list of the officers of the unit, a copy of their fiscal year-end audit and a copy of any 990 filed for the fiscal year when applicable.** All Local Unit and Council Bylaws reflect these requirements.
- ◆ Constituent associations must maintain their “unit in good standing” status. This means their first payment of dues must be paid no later than December 1 and the bylaws of the unit must be current.

THE PURPOSE OF PTA

The primary emphasis in PTA should be focused upon the promotion of PTA Purposes and Mission of PTA. The real working capital of a PTA or PTSA lies in its members, not in its treasury. Fund-raising is not a primary function of the PTA or PTSA. When PTAs invest their human resources in programs that better the homes, schools, and communities, they earn benefits for children and youth with very small outlays of money. PTA and PTSA sponsored programs can provide enrichment activities for families. PTA and PTSAs can work with other community organizations on community wide issues that fit within PTA's priorities.

Any funds generated by the PTA, including the local portion of dues, should be predetermined and budgeted for purposes that advance PTA work such as conducting or attending conferences, participating on committees, and undertaking projects and programs. Participation in state and National PTA conventions and conferences is an appropriate and important use of PTA funds, approved by the IRS.

PROGRAM AND PROJECT FUNDING SOURCES

Annual membership dues are a primary source of PTA funds; some PTAs are able to do excellent work with no financial resources other than their dues. However, special projects and programs may require additional funds. If dues are not sufficient to finance a PTA's work, supplementary funds may be raised within the context of the Purposes and Mission of the PTA. The framework for how a PTA or PTSA should conduct its fund-raising is determined by National PTA policies and the government regulations for 501(c)(3) tax-exempt organizations. Any funds generated by the PTA, including the local portion of dues (not state or national dues), should be budgeted for purposes that advance PTA work.

PTAs should begin each year with specific goals in mind before determining the dollar amount needed in a fund-raising event. Only those funds necessary to meet the needs of the year's activities and projects, as outlined in the PTA's budget, should be raised. PTAs should check with school, local, and state authorities in advance of undertaking any financial enterprise to determine whether the planned activity is prohibited by state or local law, by school policy or whether it requires any special permit.

PTA FUNDRAISING STANDARDS

The PTA or PTSA can be the means through which community standards are established. Therefore, its own standards must be consistently held high. This can be done through unfaltering allegiance to National PTA policies and principles. They are an expression of a desire to respect the rights of others and to act for the common good. When programs are being formed, or fundraising projects being chosen, commercialism, sectarianism, or other policy violations should be avoided. The greatest service a PTA can perform is to promote support for quality public education.

A PTA OR PTSA IS NOT A MONEYSMAKING OR MONEY RAISING ORGANIZATION. THE PURPOSE OF A PTA OR PTSA IS TO PROMOTE THE WELFARE OF CHILDREN AND SHOULD BE PRIMARILY CARRIED OUT THROUGH EDUCATIONAL MEANS.

- Educating members to better perform their duties in connection with children
- Educating parents and teachers to have a better understanding of each other's aims and viewpoints so they can cooperate more closely
- Educating the community to the needs of the schools and of other community enterprises working for the welfare of children and youth
- Educating the community to work against factors harmful to children and youth

MATERIAL AID TO THE SCHOOL IS NOT THE FUNCTION OF A PTA OR PTSA.

- The PTA serves as a liaison to help the community understand the problems and needs of education, and once the need is established, the purchase of materials and equipment for public schools should come from the public budget
- PTAs and PTSAs should provide service, not material things for the school or children

PRIMARY EMPHASIS OF THE PTA OR PTSA SHOULD BE ON THE PROMOTION OF THE PURPOSES.

FUNDS RAISED SHOULD BE FOR A DEFINITE, PRE-DETERMINED AND BUDGETED PURPOSE.

THE EXPLOITATION OF CHILDREN FOR FUNDRAISING ACTIVITIES SHOULD BE AVOIDED.

- Children may be included in programs that are an outgrowth of class work or projects
- The regular school day schedule should not be disrupted, nor should the children be expected to give up their free time
- Protect the instructional time of children
- Fundraisers which promote vendors/companies using school time for assemblies for training of students as sales persons for their products should **not** be planned

THE NAME PTA OR PTSA (OR NAMES OF ITS OFFICERS) SHALL NOT BE USED TO BENEFIT COMMERCIAL ORGANIZATIONS.

- Before embarking on any joint financial endeavor with commercial concerns as a fundraising activity, you should consider whether the arrangement can be viewed as an endorsement of a product, company, or foundation
- Any aspects of endorsement must be avoided

PTA OR PTSA FUNDS SHOULD BE USED FOR PARENT/TEACHER WORK AND IT IS NOT PROPER TO RAISE MONEY FOR PTA OR PTSA ACTIVITIES AND THEN DONATE THOSE FUNDS TO ANOTHER ORGANIZATION OR DIVERT TO ANOTHER PURPOSE/PROJECT WITHOUT PERMISSION FROM THE GENERAL MEMBERSHIP.

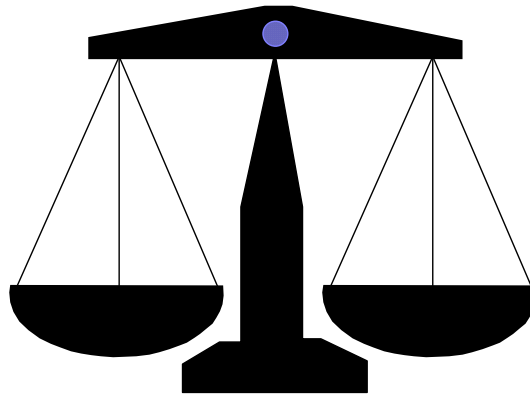
DO NOT ENGAGE IN FREQUENT FUNDRAISING PROGRAMS AS THIS LEADS TO A DEPARTURE FROM THE PRIMARY PURPOSE OF OUR ASSOCIATION—TO EDUCATE ITS MEMBERS ABOUT THE NEEDS OF CHILDREN.

PROTECT YOUR TAX EXEMPT STATUS

- Disregard of the prohibition against substantial commercial activities could result in having to pay taxes, penalties, or the ultimate sanction, loss of tax exempt status.
- Local PTA units that engage in extensive fundraising activities not associated with their primary purposes become liable to file IRS Form 990T and pay taxes on unrelated business income when unrelated business income exceeds \$1000.

DO NOT ENGAGE IN ANY FUNDRAISING ACTIVITIES, WHICH MIGHT INTERFERE WITH THE ACCREDITATION OF YOUR SCHOOL.

BALANCING FUNDRAISING WITHIN IRS GUIDELINES



In order to assist PTAs in conducting business within IRS required regulations, National PTA has developed the following general guideline:

The 3-to-1 Rule

“When planning the year’s activities, PTAs should use the 3-to-1 rule. For every fund raising activity, there should be at least three non-fund raising projects aimed at helping parents or children, or advocating for school improvements.”

2006 National PTA , “Money Matters”

The actual IRS regulation for non-profit activities is a ratio of 85-15. 85% of PTA activities should be related to the Purposes of our association. When auditing non-profits for Purpose related activities, the IRS uses two tests:

The Organizational Test – IRS examines Bylaws to see if association is in compliance with Purposes.

The Operational Test – IRS evaluates association activities, source of income and receipts. Emphasis is placed on how money is raised as compared to how funds are spent.

SUGGESTED/ACCEPTED USES OF PTA FUNDS

Leadership Development Training and Activities

PTA funds should be used for purposes that further PTA work and is a legitimate expense as defined by IRS guidelines. Some examples would be funding delegate attendance to Leadership Training Conferences, State Conventions, PTA Day at the General Assembly, district and council workshops, regional training and legislative meetings to train current and future PTA/PTSA leaders. Attending National PTA events is also encouraged. On the local level, funding can be provided for unit officers/representatives to attend School Board and City Council/Board of Supervisors meetings to monitor the decisions of these bodies or when appropriate and approved by membership, when speaking before these bodies requesting improvements in the well being of youth.

Programs

PTA funds should be used to inform and educate parents and teachers on issues relating to the education, health, welfare, and protection of children. (Building Successful Partnerships training, parenting workshops that concentrate on issues such as SOLs, NCLB, children health and juvenile protections issues, etc.). Funding should be provided for presentation of the Virginia PTA Preliminary Proposed Legislation Program (PPLP) and final Proposed Legislation Program (PLP) to membership for review and approval. Voting by membership on PLP is a requirement in local unit bylaws (**Article V, "#Section 16.** The Virginia PTA/PTSA Legislation Program shall be voted on by individual local unit members and recorded on official tally sheets. Local unit tally sheets shall be forwarded to District Directors prior to the pre-convention Board of Managers meeting.")

Cultural Arts Programs/Assemblies

PTA funds should be used to provide various educational programs for children and youth. (Contact your school principal for assistance in obtaining appropriate programs for children and their families). The National PTA Reflections program should be a project of every PTA or PTSA in Virginia.

Financial Assistance

PTA funds can be used to assist student participation in educational related field trips and summer enrichment programs. Money is donated to school for this specific purpose. Letter from PTA president stating how membership has approved funds to be used should be attached to donation, copy of letter kept in PTA files.

Recognition Awards for Student Achievement

PTA funds should be used to help recognize student achievement through awards for all accomplishments (including establishing student Scholarship Funds).

Curriculum Enhancement

PTA funds should be used for the enhancement of the current school curriculum and could include sponsorship of programs such as a Science Fair, Career Day, Mathematics Fair, Book Fair, etc.).

Equipment

PTA funds may be used to support school programs that are or will become integral parts of the curriculum. PTAs should pay the vendor directly for these items when possible. If they must purchase through school division, a copy of invoice **MUST** be supplied for PTA financial records.

After-school Programs

PTA funds may be used to support after school programs for children and youth. The PTA must work with the principal/school division to develop the types of programs to be offered after school. The safety and supervision of students must be a top priority. PTAs may provide and directly pay for any supplies necessary for the implementation of after school programs.

PTA insurance covers all students involved in after school programs and all volunteers who assist with after school programs. However, PTAs are not employers and PTA insurance **does not** cover individuals who are paid for services such as teaching after school programs. Workmen's compensation insurance is required by law in the state of Virginia for any group or organization that employs individuals. PTAs may donate funds to the school/school division for the purpose of paying school employees (teachers, teacher assistants, custodians, etc.) for their time given to after-school programs, etc. Cash payments are not an acceptable form of PTA payment. Receipts must document all PTA payments. PTAs must obtain a receipt from school to verify the use of the funds for the salaries of school employees. PTAs may utilize outside providers of services such as Gymstrada, etc. The PTA pays the employer for services and the employer pays their employees involved in offering these services.

WHY PTA INSURANCE?

General Liability

PTA fundraising activities can expose third parties to potential injury during PTA sponsored events. In addition, any time parents, teachers or children attend a meeting or function, the location or actual site where the meeting or function is being held (such as the school) may waive liability for injured parties while on their property. Further, if school property is damaged during an event, the school may hold the PTA liable for repairs. This coverage is called Premises Liability and is included in the Liability Plus Portion of the PTA Insurance Program. When planning and prior to any PTA event it is important to check with your insurance carrier to be sure that the event and all activities planned for the event will be covered under your policy. Having sufficient coverage for the event is required and while the type of event you are planning may not be excluded from your liability coverage, sufficient coverage for the event is mandatory. Without sufficient coverage, the PTA may be placing the personal assets of the officers and other members of the association at risk. Your insurance carrier is the only entity that can provide the PTA with sufficient liability coverage information.

Another coverage within the General Liability policy, which the PTA may find valuable, is the coverage for libel and slander. Should a PTA official render an opinion concerning an individual either publicly during a meeting, or in private, which improperly defames that person's character and a defamation claim is brought against the PTA, then the libel and slander coverage would apply.

Fidelity Bond

Now that you have safely raised funds on behalf of your PTA, you have a responsibility to protect those funds. This should be done through using standard, acceptable accounting practices, keeping accurate and clear financial records and the purchase of fidelity bond insurance. Several members of your board may be involved in the handling of these funds. Whether it is cash, checks, or other securities, these funds could easily be stolen or improperly deposited into their own personal account. Typically, this type of situation occurs when a trusted member of the PTA simply "borrows" the money for "just a little while" until they get their personal finances squared away and then "will just pay it right back". Unfortunately, the money is never seen again. A fidelity bond is also called Employee Dishonesty Coverage. It does just as the name implies; it provides the insurance needed to protect the monies the PTA members have worked so hard to earn from well meaning but dishonest volunteers. Coverage can be deemed invalid if PTA does not adhere to required insurance guidelines. Check with your insurance carrier for these requirements. Ignorance is not considered a valid excuse and will not reinstate your coverage.

Directors and Officers

Individual directors and officers serving as PTA board members and those acting upon their directives are prime candidates for directors and officers coverage. Some of the basic

coverage includes Legal Actions & Allegations of Mismanagement, Misappropriation of Funds, Misrepresentation, Dissemination of False or Misleading Information and Wrongful Acts. These professional liability exposures are covered when a notice of claim is filed or received. D&O coverage provides the extra piece of protection to insure the safe management and smooth direction of your PTA.

A PTA will sometimes have a tendency to rely upon school district liability insurance for protection. This generally proves to be untrue. If a PTA is covered by school district insurance, they should obtain a "**Certificate of Insurance**" from school division as documentation for PTA files.

When using vendors at activities that provide rides and similar activities, ALWAYS OBTAIN A "CERTIFICATE OF INSURANCE" FROM THE VENDOR VERIFYING THEIR INSURANCE COVERAGE. This "Certificate of Insurance" covers the vendor— IT DOES NOT COVER THE PTA.

Having insurance does not mean that every activity the unit undertakes will be covered. There may be exclusions within your policy that prohibits or restricts certain types of activities. DO NOT ASSUME YOUR UNIT IS COVERED FOR ALL ACTIVITIES. Contact your insurance carrier and obtain an "Insurance Program Summary and Loss Control Guide".

THE TIME TO ASK QUESTIONS IS BEFORE THE EVENT OR ACTIVITY.

COOPERATING WITH OTHER ORGANIZATIONS

The PTA often acts jointly with other organizations to achieve common goals. Such cooperative efforts are frequently in response to an invitation from another group, or they may be initiated by the PTA.

Cooperation may take many forms. It may be simply giving PTA members information about the aims, work, and services of another organization or a public agency. Or cooperation may involve communicating to the public the policies and work of public boards and commissions. A PTA might correlate its work on safety or health with that of a community safety council or health council to avoid duplication of effort and to gain the strength of a united endeavor.

Some of the official agencies with which the PTA cooperates are public, tax-supported government organizations established to serve the people, such as departments of health and education, public welfare commissions, children's courts, recreation commissions, police and probation departments, and federal agencies such as the U.S. Department of Education.

PTAs may also cooperate with professional organizations in education, health, social welfare, and related fields to undertake joint studies, surveys, or projects. These organizations can provide the PTA with specialized information based on research and can help with and advise on carrying out the PTA's work for children's well-being. The PTA can transmit information about children and their needs and problems from these organizations to the public.

The PTA considers the work done by many youth-serving organizations and groups to be of tremendous value and frequently cooperates with them. PTAs may work with and aid any group under the following guidelines:

1. The PTA assumes no obligation (expressly or otherwise), responsibility, or liability for the competence, actions, or omissions of any person or persons who may have been or may become active as a leader, participant, or otherwise in any organization or group sponsored by the PTA.
2. No PTA representative may commit the PTA to join any other group or agree to abide by any other group's bylaws or policies.
3. At the community level, PTA cooperation is easier when there is an overall organization such as a coalition or council. Such groups enable agencies and organizations to work together on community problems. PTA should retain its own identity and should not be committed to courses of action outside its own field of operation.

4. When a PTA participates, it makes sure that the rules of procedure or bylaws of that organization do not conflict with its own bylaws and the bylaws of the state and National PTA. PTAs should withdraw from participation in the event of such conflicts.

These guidelines should not be interpreted as precluding a member of a PTA from belonging to any other organization, regardless of whether or not that organization's bylaws or policies conflict with those of the PTA. However, PTA members should exercise caution to avoid leaving the impression that they are acting as representatives of the PTA.

LIMITS OF COOPERATION

Cooperation does not include participating in fund-raising or membership enrollment activities for other organizations, contributing funds to finance the work of another organization (although a PTA may bear its share of the costs of a cooperative project), or agreeing to abide by another group's bylaws, policies, or regulations. If cooperation requires the signing of a contractual agreement, National PTA recommends seeking legal advice to determine the extent of liability.

The PTA needs to take an active role in directing any cooperative undertaking to ensure that these cooperative goals and procedures remain consistent with the basic policies, positions, and Purposes of the PTA.

Projects are required to be submitted for approval to the voting body of the PTA. If funds are required for the project, the PTA may bear its share of the necessary expenses. It should not make any financial commitment until and unless the expenditure of a definite amount is approved by its executive board and adopted by the general membership.

DONATING FUNDS TO ANOTHER NON-PROFIT ORGANIZATION

PTAs have been granted federal tax exemption based on the Purposes of our association. As a non-profit, PTAs may not raise funds based on their Purposes and then divert those funds to another non-profit organization, no matter how worthy the cause. PTA funds are never deposited into a personal or school account or the account of another organization. PTAs should never run the funds of another organization through their PTA accounts.

PTA funds are private funds and school funds are public tax funds and "commingling" of these funds is prohibited by law. PTAs may donate funds to the public schools they support for specific purposes and are required to document these transactions with receipts for each donation. PTAs may donate funds to another PTA (as examples, new local unit that is forming in your area or to the Virginia PTA for service awards) because the Purposes of the associations are identical.

FINAL REMARKS

It is essential that the president or district director, who bears full responsibility for the total affairs of the local unit PTA, council, or district, work closely with the treasurer at all times, and have a complete understanding of all of the financial matters of the association. Each of these officers has their own role to play. Both must be committed to keeping the affairs of the association on a sound financial basis and within IRS and Virginia Code regulations.

Always remember the cardinal principles of PTA financial management.

- The financial records of the PTA **MUST** be audited at the end of fiscal year and whenever there is a change in treasurer. Using standard, acceptable accounting practices, keeping accurate and clear financial records and periodic reports to the membership is **REQUIRED**.
- All treasurers must be **bonded**.
- Protect your association and officers by providing insurance that covers all activities and projects of the PTA. Request and keep on file a **Certificate of Insurance** as verification of insurance coverage for your unit.
- Follow two **signature requirements** as now required in all local unit and council bylaws. Never sign a blank check. Ignoring two-signature requirement will negate your insurance coverage. If you sign a blank check and check is used improperly, you can be charged with fraudulent use of association funds even though you were not involved in improper use of those funds. Protect yourself and protect the association.
- State, National PTA and council (if paid per member) portions of dues are **never** recorded as local unit income
- **Never** deposit PTA funds in a personal account, school account or the account of another organization.
- PTA funds must be kept **separate** from school funds
- **Never** allow another organization (even if non-profit and tax-exempt) to deposit their funds into the PTA accounts, no matter how worthy the cause.
- **File** all required documents (listing of officers, copy of audit, copy of filed 990 or 990EZ) as required by the IRS and Virginia Code with the state office.