



**Resource Guide**



section  
5



## finance and insurance



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# Finance and Insurance

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# introduction

*This section of the Delaware PTA Resource Guide has been adapted from the National PTA Money Matters and in collaboration with other state PTAs. Additions have been made based on Delaware laws and regulations as well as Delaware PTA bylaws.*

## welcome to PTA leadership!

Your role as PTA treasurer carries a good deal of responsibility, but

it is also a wonderful position to have. You are about to embark upon an enriching, challenging and fulfilling opportunity to help carry out PTA's mission for your community's school and children.

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

In addition, these instructions are intended to help clarify Generally Accepted Accounting Principles (GAAP), the standard framework of guidelines for financial accounting, and tax requirements of governing bodies, most notably the U.S. Internal Revenue Service (IRS). They are not intended to replace those instructions. If you have questions or need additional assistance, please contact your Region Vice President or the Delaware State PTA at [admin@delawarestatepta.org](mailto:admin@delawarestatepta.org) that the unit finances are properly handled.

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

### Purpose and Responsibilities of the Treasurer

The treasurer is the authorized custodian, elected by the members, of the funds of the PTA association. It is the treasurer who ensures

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

The ideal candidate for treasurer should have:

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

### first steps

Your initial tasks as treasurer include:

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

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

### Building a Finance Committee

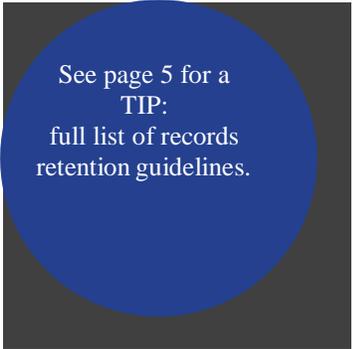
The finance committee works to make sure the association is in good financial health, that its assets are protected, and that its resources are used appropriately.

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

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

# duties of the treasurer

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



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

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

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

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

*continued on page 4*



## duties, con't.

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

### handling of money by other members

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



*continued on page 5*

### treasurer's calendar

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

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## Contents of the treasurer's file

- A copy of the PTA bylaws and standing rules, with sections authorizing disbursements marked
- A copy of the budget adopted by the association
- Receipt book to acknowledge money received by the treasurer
- Checkbook to disburse funds as authorized
- PTA credit card and statements (if applicable)
- Deposit-only debit card (if applicable)
- Treasurer's account book in which to keep the financial records of the association (may be an electronic file)
- Permanent Internal Revenue Service (IRS) tax information, including the following:
  - IRS determination letter of tax-exempt status and copy of application for tax-exempt status
  - Federal Employer Identification Number (FEIN), also known as EIN (Employer Identification Number)
- Copies of filed Form 990/990-EZ, 990-N, 990-T, or other required IRS forms
- Group exemption number (1258)
- An up-to-date roster of the members of the association
- A copy of this *DPTA Resource Guide* and a completed copy of the financial management checklist (**see page 48**)
- Audit reports held in permanent file
- Seven years of cash receipts and petty cash records, bank deposits, invoices and statements
- General correspondence
- Three years of budgets
- Copies of meeting minutes and monthly treasurer reports

# records retention

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

## records to be retained retention period

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

## duties, con't.

### treasurer's written report

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

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

### treasurer's annual report

At the close of the PTA's fiscal year, the treasurer should close the financial records and prepare an annual financial report covering the entire fiscal year. The treasurer should give a preliminary annual report to the membership at the annual meeting. This report is for information only and is not officially adopted; the report becomes official after the audit has been completed and the audit report is officially adopted by the membership. Thus, the adoption of the audit report will be done at the first business meeting of the new fiscal year. The bylaws should provide how the audit is to be made.

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

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



# sample annual report

Fiscal Year \_\_\_\_\_ Date prepared \_\_\_\_\_  
 Local PTA Name/Unit Code \_\_\_\_\_  
 City \_\_\_\_\_  
 IRS Number (FEIN) \_\_\_\_\_  
 Region and Council \_\_\_\_\_

## actual receipts

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

## actual expenditures

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

## total expenditures \$5,690

Amount Remaining for Next Year .....\$1,710

## receipts not belonging to local PTA

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

## disbursement of monies not belonging to local PTA

Dues sent to state PTA office (850 members @ \$4.00) .....	\$3,400
Founders Day Gift sent .....	50
total <del>_____</del> <u>\$350</u>	

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

# sample monthly treasurer's report

PTA

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

Unit Code: \_\_\_\_\_

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

## expenses

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

balance on hand: 2/28/20\_\_ .. \$4,203.34

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

\*Our annual membership fee is \$10.00.

State	50 @ 1.75	=	87.50
National	50 @ 2.25	=	112.50
<b>Total</b>			<b>\$200.00</b>

Submitted by \_\_\_\_\_, Treasurer

## final steps before leaving office checklist

- Making sure that all state and national portions of dues have been collected and forwarded to the state PTA office.
- Balancing the books to prepare for the audit.
- Making sure that the PTA's books agree with the bank balance and outstanding checks, plus cash on hand.
- Preparing the annual report covering the term of office.



- Submitting IRS Form 990, 990-EZ, 990-N, 990-T, or other IRS forms if required.
- Arranging for the transfer of all records, reports and files to the new treasurer. Obtaining and filing new signature cards with the bank, so that the new treasurer will be authorized to sign checks without delay.
- Making sure that the insurance payment for the next school year has been sent in.

## dues

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

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

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

### accounts payable within your financial records.

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

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

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

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

# budget

## overview

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

## Developing the budget

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

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

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

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

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

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

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

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



## amending the budget

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

## approval of expenditures

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

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

# sample budget

\_\_\_\_\_ PTA  
 fiscal year \_\_\_\_\_

## anticipated revenue based on 800 members receipts

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

## expenditures

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

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

**total..... \$6,500**

Adopted by Association \_\_\_\_\_ (date)

# banking

## bank accounts

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

## savings accounts

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

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

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

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

## handling fundraising receipts and expenditures

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

be deposited daily in the PTA's bank account.

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

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

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

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



## banking, con't.

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

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

### check request (voucher) system

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

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

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



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

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

harder. National PTA is currently developing guidelines that will provide the checks and balances/protections units have through the dual-signature process. For additional information about using online banking, refer to the National PTA Back to School Kit, Finance section at [ptakit.org](http://ptakit.org).

### ATM cards

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

*continued on page 14*

## banking, con't.

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

### credit cards – is your unit ready?

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

Many units have asked about the use of credit cards for PTA. With today's busy schedules, it is getting harder and harder to get two officers with check signing ability to do all of the purchasing for all unit activities. Some feel it is too hard to ask for an advance, cash the check, and then pay cash when making PTA purchases.

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

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

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

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

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

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

Lastly, a reminder that the PTA insurance has a \$2,500 deductible for any claims for financial loss related to mismanagement of funds. This is for cash, checking account or credit cards.

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

### credit references

Delaware State PTA does not provide credit references to local PTA units.

### PTA funds vs. public monies

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

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

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

# the PTA audit

## overview

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

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

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

## the purpose of an audit

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

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

## external audit

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

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

## preparation for a financial review

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

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

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

The treasurer shall deliver the following to the reviewer:

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

## financial review procedure

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

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

*continued on page 16*

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

## the PTA audit, con't.



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

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

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

### Some items to look for:

- Monthly bank reconciliation
- Unexplained reconciled items
- Unusual endorsements on checks
- A match of check endorsements to payees
- Disbursements not supported by invoices or other documentation
- Blank checks secured in a safe place
- Deposit ticket dates timely with dates received by bank
- Timeliness of deposits based on known dates of events
- All invoices paid by check (with two signatures) or unit credit card and not cash

3. Make certain that state and

national portions of the membership dues have been kept separate from other receipts and forwarded to the state office on a monthly basis.

4. Make certain that money collected for a specific purpose (special projects, gifts, scholarship funds, council dues, etc.) has been so disbursed.
5. Check the treasurer's reports and annual report for accuracy.

6. After any errors have been corrected by the treasurer, and the president is satisfied that the financial accounts are correct, sign and date the annual report using a different color ink: "Examined and found correct. (name), (date)."
7. If all is in order, the financial review committee or auditor should prepare a statement, and the auditor, or each member of the financial review committee, should sign it.

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

8. The financial review committee also must submit a report in the event that there are not

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

audit, a financial discrepancy report should be filed. **See Insurance, starting on page 59.**

# the PTA audit, con't.

## sample audit procedures

### Step 1: Set Up Working Copy of Audit Report Sheet

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

### Step 2: Reconcile Bank Statement

One person has the checkbook(s),

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

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

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

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

### Step 3: Add Up Receipts and Disbursements

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

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

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

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

### Step 5:

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

# sample audit report

**Audit Report of ABC PTA/PTSA**

**Unit Code 01-088**

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

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

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

Checks Outstanding:

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

(More than 3 missing checks SEE ATTACHED)

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

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

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
**(#12)**  
 \_\_\_\_\_  
 Chair

\*AMOUNTS MUST MATCH

# sample PTA financial review form

local PTA name/unit code \_\_\_\_\_ date \_\_\_\_\_  
 council \_\_\_\_\_ region \_\_\_\_\_

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

Date of Audit .....date

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

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

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

- incorrect.

Date review completed \_\_\_\_\_

Reviewers' signatures \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

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

# contracts

## contracts

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

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

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

### CONTRACT TIP:

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

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

**Delaware State PTA strongly recommends that units do not enter into contracts, but if you do, they should be no longer than one year.**

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

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

that they are required to do so.

The second major concern is that the PTA not be subject to liability for the tortious actions of such person as an employee of PTA. Finally, they do not want the burden, expense and worry of being required to comply with all the many laws affecting an "employment" relationship, including minimum wage and overtime regulations, payment of wage requirements and other State labor statutes, withholding taxes, social security, unemployment compensation, and so forth. In any event, as the PTA has realized, liability to "servants" under Worker's Compensation Laws, or to third parties for the tortious acts of those

“servants,” and the other problems attendant upon an employment relationship, are most likely to be avoided if the relationship between the PTA and the “worker” hired is maintained as an Independent Contractor rather than an employer-employee relationship.



## Independent contractor status, con't.

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

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



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

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

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

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

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

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

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

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

- The most important factor is the degree to which the

*continued on page 23*

## independent contractor status, con't.

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

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

person hired is an employee and not an Independent Contractor.

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

does not furnish an independent business or professional service.

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

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

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

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



# independent contractor agreement

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

hereinafter referred to as “PTA,” and \_\_\_\_\_

An individual residing at \_\_\_\_\_

A corporation having its principal office and place of business at \_\_\_\_\_

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

hereinafter referred to as “Contractor,”

(Cross-out and initial the inapplicable phrases)

Witness: \_\_\_\_\_

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

\_\_\_\_\_  
 \_\_\_\_\_; and

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

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

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

## independent contractor agreement, con't.

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

PTA Name: \_\_\_\_\_ Contractor's Name: \_\_\_\_\_  
 By: \_\_\_\_\_ By: \_\_\_\_\_  
 (Signature): \_\_\_\_\_ (Signature): \_\_\_\_\_  
 (Title): \_\_\_\_\_ (Address): \_\_\_\_\_  
 (Date): \_\_\_\_\_ (Social Security # or EIN #): \_\_\_\_\_

## PTAs and playgrounds

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

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

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

Additional issues with the PTA building playgrounds:

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

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

## PTA funds and the funds of other groups

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

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

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

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

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

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

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

### In summary:

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

## grade level committees

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

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

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

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

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

running the event. If the event does not fall under the **GREEN LIGHT** status referred to later in this section, it is subject to a greater liability risk to the PTA. Great care and consideration should be given to any event the PTA is going to sponsor, regardless of the grade.

### purposes of PTA

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

## scholarships for students

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

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

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

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



## scholarships for students, con't.

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

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

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

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

## PTAs and afterschool programs

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

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

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

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

These programs have typically been more costly and sometimes

involve district staff as paid instructors.

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

- Do the activities of the afterschool program align with the mission of PTA? This should be asked for any PTA activity, not just afterschool programs.
- Does running the program constitute running a business? **(See Unrelated Business Income on page 36.)**
- Are the program instructors paid more than \$600 per calendar year? If so the PTA must issue 1099 tax statements to each instructor as well as file with the IRS and Delaware State Taxes. If the PTA is using school district staff as instructors and the work being done by those staff is related



their job at the school, then the PTA may also have to provide Workers' Compensation and Unemployment Compensation insurance. Please consult with your school business official before hiring any school district employees.

### PTA insurance

Each PTA chartered by Delaware PTA is required to obtain insurance coverage. AIM is a national partner of PTA and specializes in providing insurance coverage for non profit 501 (c)(3) organizations. The AIM Insurance Manual is available for review on our website.

Each local unit PTA in Delaware is required to submit a copy of their insurance declaration page to Delaware State PTA each year upon renewal to maintain a "unit in good standing" status.



## additional important information



### postal regulations

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

### disaster assistance

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

If a PTA is collecting funds, it is best to ask the donor to make

the check payable to the agency receiving the funds. The PTA can collect the checks and forward them to the agency. It is better if the PTA does not deposit the money into its regular bank account.

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

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

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

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

### charitable class

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

The group of individuals that may properly receive assistance from a charitable association is called a “charitable class.” A charitable class must be large or indefinite enough that providing aid to members of the class benefits the community as a whole. Because of this requirement, a tax-exempt disaster relief or emergency hardship organization cannot target and limit its assistance to specific individuals, such as a few persons injured in a particular fire. Similarly, donors cannot earmark contributions to a charitable association for a particular individual or family. When a disaster or emergency hardship occurs, a charitable association may help individuals who are needy or otherwise distressed because they are part of a general class or charitable beneficiaries.

**There are many PTAs that have a family or child in need that they would like to donate funds to. In this case, take your fundraising expertise outside of the PTA to ensure that your PTA does not work outside its mission to serve every child.**

# federal requirements

## Federal tax-exempt status

### 501(c)(3) organizations

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

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

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

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



- A PTA can only engage in an insubstantial amount of lobbying activity (**see page 47 for more details**).

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

- Organizational test – The IRS examines bylaws, articles of incorporation, etc., to determine the purpose of the organization/association and for other provisions that address compliance with the restrictions listed above.
  - Operational test – The IRS evaluates the organization's operations, its activities, the sources of its income and receipts, and the disposition of funds with regard to the restrictions listed above.
- employer identification number and IRS form SS-4**

Every PTA must acquire an IRS Employer Identification Number (EIN, or FEIN [Federal Employer Identification Number]).

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

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

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

*continued on page 32*

## federal requirements, con't.

completed “for banking purposes only.”

### Determination letter of federal tax-exempt status and IRS form 1023

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

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

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

### private inurement

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

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

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

### 990-n/e-postcard

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

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

### losing federal tax-exempt status

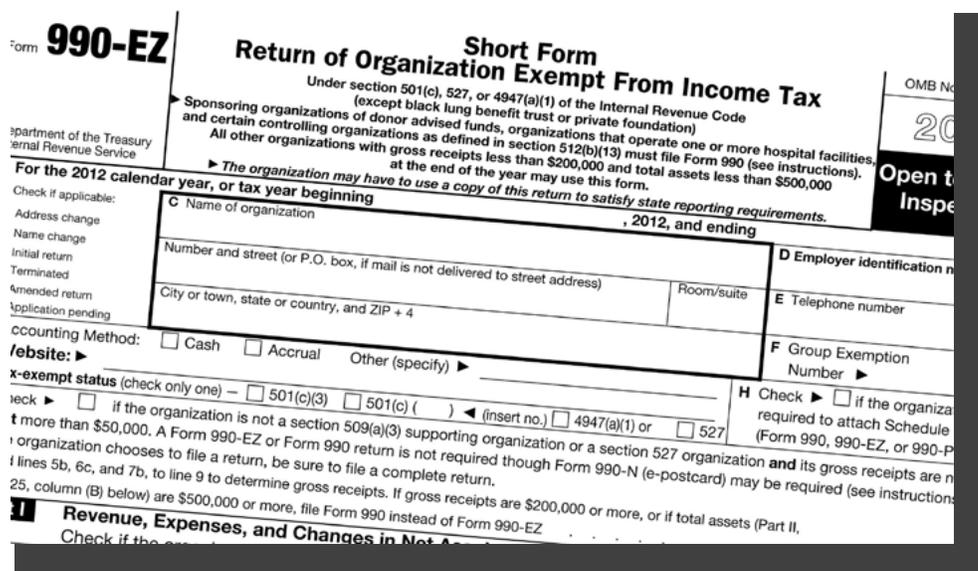
If a PTA receives notification that its tax-exempt 501(c)(3) status has been revoked, there is a process to have it reinstated. Contact your region PTA immediately for assistance. If your status is revoked, then your unit may/may not:

### may:

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

The image shows two overlapping IRS Form 990 tax forms. The top form is Form 990-EZ, titled 'Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)'. The bottom form is Form 990, titled 'Return of Organization Exempt From Income Tax'. Both forms include sections for organization information, tax-exempt status, and a summary of activities and governance. The forms are for the 2012 calendar year.

# federal requirements, con't.



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

**If the PTA is required to submit a Form 990 or 990-EZ, it must submit a Schedule A.**

If the PTA has more than \$1,000 in gross unrelated business income, it must file a Form 990-T as well.

If the PTA has made significant changes to its bylaws (i.e. change in fiscal year, change in governance/structure), a copy of the updated bylaws should be submitted to the IRS with the completed Form 990 or 990-EZ (not common).  
 If the PTA wishes to request an extension of time to file Form 990 or 990-EZ, it should be completed and a Form 8868 filed with the IRS before the 990 filing deadline.

## may not:

- Solicit/accept tax-deductible donations
- Apply for grants for not-for-profits
- File the 990 until status is reinstated

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

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

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

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

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

## 990-EZ

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

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

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

## public inspection requirements

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

*continued on page 34*

## federal requirements, con't.

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

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

Any PTA that does not comply with the public inspection requirement will be assessed a penalty of \$20 for each day that inspection was not permitted, up to a maximum of \$10,000 for each return.

imposed if the failure is due to reasonable cause (determined by the IRS). Any PTA that willfully fails to comply will be subject to an additional penalty **All inquiries should be reported to the state PTA.**

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

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

The law requires not-for-profits to: Pay taxes on net (after expenses) receipts.

### **What is unrelated business income?**

Unrelated business income (UBI) is income that is unrelated to the association's tax-exempt purpose.

If an activity is of short duration, but follow-up or preparation is carried on over a long period, the income from that activity could be UBI.

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

### **Unrelated business income and IRS form 990-T**

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

For the activity to be considered a business, the not-for-profit must take an active role in the generation of the income.

The activity must provide income, but does not have to produce a profit. regularly carried on IRS regulations state that activities that are carried on only "discontinuously or periodically" will not be considered to be regularly carried on.

## federal requirements, con't.

UBI.....

fulfilling the tax-exempt purpose of the PTA.

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

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

**exceptions or exemptions** The income from most PTA fundraising activities is exempt from federal income taxes because:

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

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

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



local governments follow the federal rules.

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

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

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

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

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

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

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

## federal requirements, con't.

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

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

Previously, PTAs could lose their tax-exempt status for engaging in excess benefit transactions.

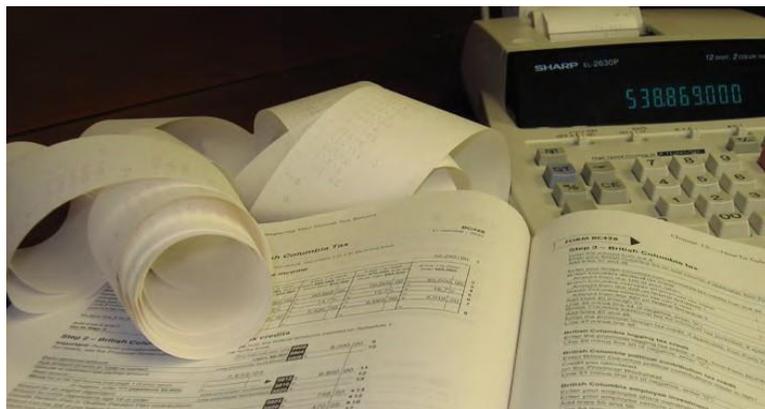
The Taxpayer Bill of Rights 2 (signed into law July 30, 1996) imposes intermediate sanctions – an alternative to revoking an association's exempt status.

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

### disposition of local PTA assets

Local PTAs contemplating dissolution should be aware of the state PTA policies

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



## federal requirements, con't.

the funds be designated by the state PTA.

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



### **IRS forms and publications**

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

# fundraising and the purpose of PTA

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

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

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

## program and project funding sources

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

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

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

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

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

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

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

### did you know? sponsorship vs. endorsements

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

*continued on page 37*



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

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

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

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

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

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

### seeking corporate sponsorship

Listed below are elements national policy that local PTAs may find helpful when seeking corporate sponsors:

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

### selecting appropriate fundraising activities

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



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

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

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

## fundraising, con't.

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

Depending on the PTA and the activity, there may be other questions that need to be addressed.

When considering several fundraising ideas, review this list, as well as other questions and concerns, to determine which fundraising event to choose.

### the 3-to-1 rule

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

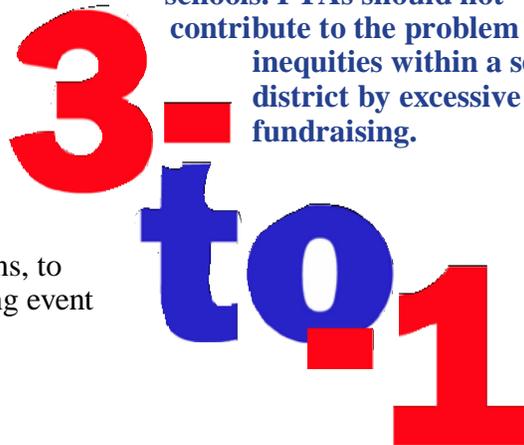
children or advocating for school improvements.

### Standards for PTA fundraising

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

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

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



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

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

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

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

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

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

*continued on page 39*

## fundraising, con't.

### Considerations in developing standards for selecting fundraising materials:

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

### Protecting PTA's tax-exempt status

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

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

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

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

### PTA's noncommercial policy

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

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

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

### legal implications of fundraising

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

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

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

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



## fundraising, con't.

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

### School district policies

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

### state laws on fundraising

Regulations vary widely from state to state. Before beginning

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

### local laws on fundraising

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

### games of chance

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



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

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

### e-commerce and affinity

E-commerce and affinity programs are popular sources of non-dues revenue. In both types of programs, a portion of the sale of a product or service is contributed to a particular

charitable cause. The amount of the contribution is usually governed by the sales or the usage of a product or service.

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

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

### accounting for funds

- At the fundraising event, or when funds are received, the treasurer and the chair, together, should count the monies received. Both should sign the receipt verifying the amount.
- Itemized bills, sales slips, etc., are given to the treasurer for payment by check. The treasurer promptly issues receipts for all monies received and promptly makes a deposit in the local bank account.

- Funds must never be deposited in a personal bank account or in the account of another organization.
  - As with the other financial transactions of the PTA, the treasurer is required to keep complete financial records of income and expenditures associated with the fundraiser. The treasurer should prepare a written report of the financial information (listing expenditures and income by category) and present the report to the PTA governing body.

### contact us

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

# substantiation requirements for charitable contributions

## deductibility of contributions made to PTAs

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

### quid pro quo contributions

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

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

### charitable contributions of cash

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

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

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

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

*Examples for deductible expenses include:*

- Mileage for travel at \$.56/mile or actual costs of gas + oil (receipts needed)
- Parking and tolls
- Food for travel that includes an overnight stay

*Examples of expenses that **are not** deductible include:*

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

**See IRS publication 526 for more information.**

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



*continued on page 42*

## Charitable contributions, con't.

### sample receipt forms

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

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

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

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

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

(Name of your PTA) \_\_\_\_\_

Authorized Signature \_\_\_\_\_

Date \_\_\_\_\_

#### contribution of cash no goods or services returned to donor

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

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

(Name of your PTA) \_\_\_\_\_

Authorized Signature \_\_\_\_\_

Date \_\_\_\_\_

# charitable contributions, con't.

## penalties

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



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

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

## documentation requirements for charitable contributions

The IRS has released final regulations concerning the substantiation requirements for

## noncash charitable contributions – IRS form 8283

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

## special valuation issues

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

## documentation requirements for charitable contributions

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

# theft, fraud and embezzlement guidelines

## overview

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

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

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

organization.

Implementing proper internal controls provide assurance that:

- Fraud will be discovered on a timely basis.
- Perpetrators will be identified.
- A strong deterrent to improper activities is in place.
- Loss will be covered by insurance (see AIM policy manual for exclusions)

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

their duties, but access should be limited to what they need to do their job.

- **Verify cash logs** – Verify cash receipts with the cash log and with the bank deposit slips.
- **Re-count cash** – Have a second person involved in verifying the cash count.
- **Make timely bank deposits** – It is the association's money, and they should have access to it as soon as possible. Money should not be taken home.
- **Review the accounts payable vendor list** – Review periodically for suspicious names and addresses. Protect checks. Store checks in a secure area, never pre-sign checks, limit the number of check signers and bank accounts, use pre-numbered checks, watch for missing checks or checks used out of sequence, and do not make checks payable to cash.

## fraud prevention

### Preventing theft, fraud and embezzlement

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

### internal controls

Internal controls are a set of processes designed to provide reasonable assurance regarding the reliability of financial reporting, the effectiveness and efficiency of your

operations, and compliance with applicable laws and regulations.

### Example of Internal Controls

- **Items issued for payment** – Mark invoices as paid and file them in a timely fashion.
- **Do not pay a photocopied or altered invoice;** the description of service on an invoice should be clear and understandable. Do not make unauthorized refunds.
- **Prepare regular financial statements** Financial information

should always be timely and complete.

- **Ask for proof of payment** – Ask for proof of timely tax payments or other payments such as sales tax and incorporation fee.
- **Ask for proof of filing** – The association is required to file a Form 990 and/or other legal documents, ask for proof of timely filing.
- **Prepare a budget** – Use your budget as a control document

*Continued on page 45*

- **Open and review the bank statements** – Someone independent of the check processing should receive the unopened bank statement and review the activity before passing it on to the person responsible for the reconciliation.
- **Reconcile bank accounts monthly** – The importance of bank reconciliations should not be overlooked; they should be completed monthly and presented to the executive committee, finance committee or similar committee. Question unexplained reconciling items.
- **Verify account transfers** – Work with the bank to set up a system of verifications of account transfers.
- **Provide appropriate system access** – Make certain everyone has system access for comparison to actual expenditures.
- **Do not be afraid to ask questions.** Do not assume you are the only one that does not know the background of a transaction. If you do not understand the answer, ask for further clarification. If you are a board member, you have a fiscal responsibility for keeping the association healthy and ongoing.



## theft, fraud and embezzlement guidelines, con't.

### PTA-specific warning signs

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

### Reasons why some PTAs find it difficult to report fraud

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

### the cost of not prosecuting fraud

Not pursuing action sets a precedent that may cause additional

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

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

Lack of prosecution may void the insurance policy.

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

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

Delaware PTA Bylaws define theft/fraud. As soon as a PTA unit suspects any type of fraud, the PTA should fill out and send a Financial Discrepancy form (**see p. 69**) to their Region VP and the Delaware State PTA Treasurer. Delaware PTA and the insurance provider will guide the PTA through the process of collecting information for the investigation.

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

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

### Suspected fraud action step by step

- Have a written policy with procedures describing how incidences will be handled.
  - The insurance most likely will require a police report/prosecution to recover a loss. It may not cover losses if you do not have written controls in place or if controls are not followed. Many times this is grounds for denying a claim.
- ### Steps to take for suspected fraud or theft
- Contact your Region VP for assistance.
  - Do not make accusations.
  - Determine what other access the suspect has, what other types of fraud schemes the suspect could have perpetrated, the likelihood of collusion, the possible duration of the schemes discovered.
  - Document all allegations.
  - Gather facts, documents and interviews.
  - Identify all bank accounts involved and consider closing or freezing the accounts. Follow steps in the policy developed to cover such matters.
  - Contact the authorities.
  - Contact insurance company.
  - If it is determined that fraud did occur, the PTA should file an official report with the police department, and file the Financial Discrepancy form.



# PTA financial management checklist

Name of PTA/Unit Code \_\_\_\_\_

Name of Treasurer \_\_\_\_\_

Street Address \_\_\_\_\_ Name of President \_\_\_\_\_

City/State/ZIP \_\_\_\_\_ Fiscal Period/Year \_\_\_\_\_

## purpose

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

## directions

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

### I. budgeting

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

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

*continued on page 48*

# PTA financial management checklist, cont

Are these reports communicated to the appropriate body (i.e., membership, board, convention delegates)? ..... Yes No

Has a copy of the audit been filed with the state PTA office, if required? .....Yes No

## II. financial controls

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

Are all PTA monies kept separate from school, personal, or other organizations' funds? .....Yes No

Is an accounting system with an accurate record of the expense and receipt transactions of the PTA maintained? .....Yes No

Are the state and national portions of membership dues and required information sent to the appropriate PTA office on time? .....Yes No

Are purchase requisitions (vouchers, purchase orders, or warrants) required to initiate expenditures? .....Yes No

Are the purchase orders signed by the authorized people? .....Yes No

Are purchase orders checked against the budget authorizations? .....Yes No

Are purchase orders matched against orders and invoices prior to payment of claims? .....Yes No

Is there a time limit for requesting reimbursement for valid claims? .....Yes No

Are authorized claims paid in a timely manner? .....Yes No

Is there a policy that prohibits the signing of blank checks? .....Yes No

Are all checks signed by at least two authorized people? .....Yes No

Are checks numbered in sequence and any missing checks researched? .....Yes No

Are all bank signatory cards up-to-date with at least three signatures that have been approved by the board? .....Yes No

Are at least two people involved in the processes of keeping financial records, depositing revenue, issuing checks, and handling cash? .....Yes No

Are all funds deposited in a timely manner? .....Yes No

Are bank reconciliations performed each month by individuals other than those who are authorized to sign checks? .....Yes No

Are there processes to cross check credit card transactions against purchase authorizations? .....Yes No

Are checking accounts (or, where applicable, savings or investment accounts) maintained to ensure full earnings on PTA funds? .....Yes No

Does your PTA have any salaried staff? .....Yes No

If salaried staff are employed, are appropriate amounts for state and federal taxes, Social Security, etc., withheld? .....Yes No

Are the withheld monies and the employer contribution to Social Security forwarded to the appropriate government agencies as required? .....Yes No

Are quarterly reports filed as required and within the proper deadlines? .....Yes No

## PTA financial management checklist, con't.

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

### III. Insurance

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

### IV. IRS and tax forms

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

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

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

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

# instructions for IRS form 990-EZ

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## overview

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

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

## items A – L

- A Fiscal year** – The fiscal year should be stated in the PTA bylaws and is the 12-month period used to set the activities and budget year of the PTA; for example, July 1, 20XX, through June 30, 20XX.
- B Check if applicable** – Check the appropriate box to indicate the type of return: initial return, final return, amended return, or change of address.
- C Name, address** – If the Form 990-EZ has a preaddressed mailing label, please attach that label in this box. If there is no preaddressed mailing label, insert the name and address of the PTA.
- D Employer identification number** – If there is a preaddressed mailing label, no entry is necessary in this space. If there is not a preaddressed mailing label, insert the PTA’s employer identification number.
- E Telephone number** – If the PTA does not have an assigned phone number, use the PTA president’s phone number.
- F Four-digit group exemption number (Local Unit ID)**– If a local PTA has exemption under the state PTA group exemption, enter **it** here.
- G Accounting method** – Normally, local PTAs would check the box marked “Cash.”
- H For organizations receiving \$5,000 or more**, in money or in kind, from any one contributor during the year—there are some special rules that apply. See instructions for Schedule B before answering.
- I Website** – Give the association’s Web address or write “N/A” if one is not available.
- J Type of organization** – Check the first box. PTA is a 501(c)(3)
- Beginning in 2008, all tax-exempt organizations, regardless of gross receipts, are required to file some form of information return.**
- K Gross receipts less than \$50,000** – If the PTA’s annual gross receipts are normally less than \$50,000, check this box. The PTA is not required to complete the rest of this form. Instead file Form 990-N. (To help determine if the PTA’s receipts are normally less than \$50,000, refer to the General Instructions B.)
- L Enter gross receipts** – Add lines 5b, 6b, and 7b to line 9. If gross receipts are \$200,000 or more and/ or total assets are \$500,000 or more, you must file Form 990 instead of Form 990-EZ.

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

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

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

*continued on page 52*

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

**Line 13** If the PTA paid for accounting, legal or other services or made payments to individuals who acted as independent contractors in providing services to the PTA, those expenses would be entered on this line. If payments were made to an independent contractor, the PTA may need to file a Form 1099-MISC. Do not include the portion of membership dues that is sent to Delaware State PTA.

**Line 14** A local PTA most likely would not have an entry on this line.

**Line 15** Enter amounts for the types of expenses outlined, if those expenses can be determined. (If the PTA publishes a newsletter, those expenses would be entered here.) Do not include any expenses already included on lines 6b and 7b.

**Line 16** Any expense not already included in this report should be entered on this line. A description will have to be attached. (See example below.)

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

**Line 17** Add together lines 10, 11, 12, 13, 14, 15 and 16 and enter the total on this line.

**Line 18** Subtract line 17 from line 9. If line 17 is more than line 9, enter the difference between the two amounts in parentheses.

**Line 19** The entry on this line would be from last year's Form 990-EZ. It would be the same as the "carry forward" from last year to the beginning of the current year.

**Line 20** A PTA should not have an entry on this line.

**Line 21** Add together lines 18, 19 and 20 and enter the total on this line.

### Part II: balance sheets

**Line 22(A)** The entry on this line should be the total of all the PTA's funds in its checking and savings accounts or other investments at the beginning of the current year – which is the same as at the end of last year. This amount should be the same as line 19 (if the accounting method specified in item G is cash).

**Line 22(B)** The entry on this line should be the total of all the PTA's funds in its checking and savings accounts or other investments at the end of the current year. This amount should be the same as line 21.

**Line 23(A) and 23(B)** Usually, a local PTA would not have an entry on this line.

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

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

### Part III: statement of program service accomplishments

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

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

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

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

### Part V: other information

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

*continued on page 54*

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

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

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

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

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

RETAIN A COPY OF THE COMPLETED Form 990-EZ FOR THE PTA'S PERMANENT RECORDS. You should also forward a copy to the Delaware State PTA office along with other required financial reports.

## Schedule A (Form 990 or 990-EZ):

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

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

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

**Most PTAs in Delaware do not need to file Schedule B.**

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

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

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

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

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

**Form 990-EZ**  
**Short Form Return of Organization Exempt From Income Tax**  
 Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)  
 Sponsoring organizations of donor advised funds, organizations that operate one or more hospital facilities, and certain controlling organizations as defined in section 512(b)(13) must file Form 990 (see instructions).  
 All other organizations with gross receipts less than \$200,000 and total assets less than \$500,000 at the end of the year may use this form.  
 The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0047  
**2011**  
**Open to Public Inspection**

Department of the Treasury  
 Internal Revenue Service

For the 2012 calendar year, or tax year beginning \_\_\_\_\_, 2012, and ending \_\_\_\_\_, 20\_\_\_\_

Check if applicable:  
 Address change  
 Name change  
 Initial return  
 Terminated  
 Amended return  
 Application pending

Accounting Method:  Cash  Accrual  Other (specify) \_\_\_\_\_

Website: \_\_\_\_\_

Tax-exempt status (check only one) –  501(c)(3)  501(c) ( ) (insert no.)  4947(a)(1) or  527

Check  if the organization is not a section 509(a)(3) supporting organization or a section 527 organization and its gross receipts are more than \$50,000. A Form 990-EZ or Form 990 return is not required though Form 990-N (e-postcard) may be required (see instructions).  
 If an organization chooses to file a return, be sure to file a complete return.  
 Lines 5b, 6c, and 7b, to line 9 to determine gross receipts. If gross receipts are \$200,000 or more, or if total assets (Part II, lines 25, column (B) below) are \$500,000 or more, file Form 990 instead of Form 990-EZ.

**I Revenue, Expenses, and Changes in Net Assets**  
 Check if the organization is a:

# lobbying

## overview

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

### PTAs maynot:

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

### 501(h) election vs.

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

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

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

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

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

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

## appropriate legislative activities

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

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

## educating

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

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

# PTA resources

## frequently asked questions

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

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

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

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

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

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

**A** There is no published list from either the National PTA or the IRS. Your mission and your 501(c)(3) (tax-exempt) status should guide your decisions. Expenditures from the PTA budget must support the PTA mission. If there is a question about an expenditure, a good

rule of thumb is to authorize the expenditure only if you could defend the expense to the IRS in case of an audit. You can find additional resources that address this issue on the IRS website.

**Q** What if the IRS contacts me?

**A** Whenever the IRS contacts you, read their letter carefully. Contact your region PTA and send a copy of the letter immediately. Be certain you understand their request or concern. Gather all of the facts related to the issue or concern addressed in their letter. **Mark the deadline issued in the letter and do not miss it.** If your PTA unit has a IRS form 2848, Power of Attorney, on file with the Delaware State PTA, there may be instances in we can contact the IRS on your behalf. If not, you must contact the IRS. Contact the IRS, if necessary, and ask for clarification if the request or issue is not clear to you. Be certain to get the name and serial number of the agent assisting or answering your questions. Take notes of the conversation; the agent with whom you are speaking is taking notes during the call.



Once you are certain you understand the issue or concern raised by the IRS, clearly address

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

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

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

### contact us

For additional resources on managing your PTA finances, visit National PTA at [www.pta.org](http://www.pta.org) or Delaware State PTA at [www.delawarepta.org](http://www.delawarepta.org).

# letter to clarify school vs. PTA funds

## BARNES & THORNBURG LLP

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[www.btflaw.com](http://www.btflaw.com)

March 18, 2011

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

Ladies and Gentlemen:

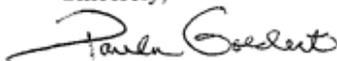
As you know, we serve as legal counsel for the National PTA. You have informed us that, from time to time, school personnel and other government representatives seek to assert control over or direct the use of funds of local PTAs. The purpose of this letter is to describe the structure of local PTAs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

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

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

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

Sincerely,



Paula Cozzi Goedert  
Partner

CHDS01 668828v1

Atlanta Chicago Delaware Indiana Michigan Minneapolis Ohio Washington, D.C.



# Delaware State PTA Insurance Risk Management Guide



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## Why does my Parent Teacher Association need Insurance?

The number one question that most PTAs face today is “Why does my Association need insurance?” That’s a great question and one that every PTA should ask itself. There are many misconceptions about insurance when it comes to PTAs. Did you know that you, as an individual member or officer of your Association, you could be held personally liable for an accident that occurs at one of your events? Personal Liability means that your personal assets could be at risk if you were sued because of something that happened at one of your Association’s events. Are you willing to put your checking account, your savings account, possibly your 401k or other assets at risk for your Association?

Insurance not only protects your Association, but also protects you as an individual, especially when there is limited coverage through your homeowner’s insurance. This Risk Management Guide will walk you through the risks that you are exposed to as a PTA, ways to reduce that liability, and how insurance policies can protect your PTA and its members, should something happen at one of your events.



### Common Misconceptions:

- PTAs are immune from liability because of their non-profit status
- The school’s insurance covers PTAs for all of their events.
- Liability protects the PTAs from all risks.



## General Liability Covers Everything: FALSE

“We have insurance.” That’s a statement that we hear as a Customer Service team every day. The problem with making that statement, however, is that it’s extremely broad. The truth is that most PTAs don’t know what coverage they have, nor do they know what risks those policies are protecting them from. When thinking about your personal insurance policies, you wouldn’t expect your Homeowners Insurance Policy to pay if you were in an automobile accident. Nor would you expect your Health Insurance Policy to pay if your home burned down. Each one of your personal insurance policies does something totally and distinctively different. The same thing is true concerning PTA Insurance policies. Officers Liability insurance doesn’t cover your Association against embezzlement, nor does your General Liability policy provide coverage if your Association’s fundraising t-shirts are stolen.

There are four different insurance policies offered to PTAs that have totally different objectives which we will cover in this guide.

### 1. General Liability

- Optional Extended Accident Medical Payments Endorsement
- Optional Media Liability Endorsement
- Optional Terrorism Coverage

### 2. Fidelity Bond (Commercial Crime)

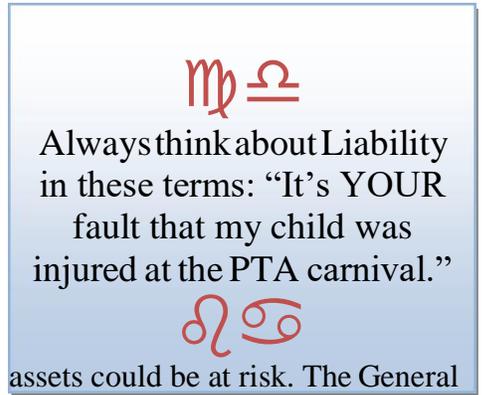
### 3. Property (Optional)

- Optional Terrorism Coverage

### 4. Officers Liability (Non-Profit Association Professional Liability)

# General Liability

Let's face it, everyone involved in a PTA is volunteering for the same reason...the kids. Even though you are putting your valuable time and numerous hours into making your Association the best that it can be, there are still certain risks that you are exposed to as a volunteer. While attending your fall carnival, a child could fall down and get hurt. You may not see that as a risk that you should be concerned with, but what if the parents of that child don't have health insurance? The family will be looking for someone to help with those expenses. After all, it was at your event that their child was injured. In the event that an incident leads to a lawsuit against your Association, as a volunteer named in a lawsuit, your personal



Always think about Liability in these terms: "It's YOUR fault that my child was injured at the PTA carnival." assets could be at risk. The General

## Bodily Injury and Property Damage

Bodily Injury & Property Damage are covered in 2 parts under your General Liability policy:

1. Liability – Generally, **\$1 Million per occurrence** and a \$2 million General Aggregate to cover damages for bodily injury or damage to property of others. Check your insurance policy for your coverage
2. Medical Payments – up to \$5,000 per person to cover medical expenses (outside a lawsuit.) Check your insurance policy for your coverage

The **Liability** portion will come into effect for lawsuits in which your Association is being sued for bodily injury or property damage of others. Check your insurance policy for your coverage limits.

**General Liability Umbrella**- Check your insurance policy for your coverage

The **Medical payments** portion will come into effect for minor medical injuries that are sustained by a volunteer of your Association, a board member, or a third party at one of your Association's sponsored events. This is by no means a health insurance policy. The medical payments clause of your liability policy will pay secondary to any personal health insurance that the injured party may have. Medical Payments coverage helps protect your Association and its members by deterring a lawsuit, while helping the injured party cover out of pocket expenses they may incur in seeking treatment.

## Sponsored Events

To extend your General Liability policy to your Association, you must be hosting an event sponsored by your PTA. The requirements of a sponsored event are:

1. The event must be approved by your Association
2. The event must be scheduled by your Association
3. The event must be planned by your Association
4. The majority of the manpower must be provided by your Association's members



# AIM's Playlist of Events

 **STOP:** This activity is potentially excluded from your policy. Contact AIM for more details

 **PLAY:** Covered event

 **PAUSE:** Use Caution. Even though this event is potentially covered under your policy, this is a high risk event and you need to take extra precaution when hosting.

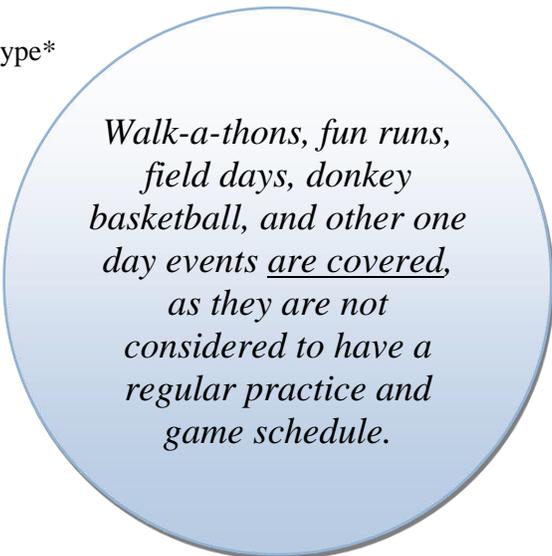
- |   |   |  |
|---|---|--|
|  After School Programs            |  Cow Bingo                   |  Magic Shows                        |
|  Archery                          |  Craft Fair                  |  Mechanical/Motorized Rides         |
|  Aircraft                         |  Craft Workshops             |  Moon Walks                         |
|  All Night Lock-Ins               |  Crossing Guards             |  Movie Night                        |
|  Animal Rides                     |  Dances                      |  Open Houses                        |
|  Apple Bobbing                    |  Dinners                     |  One Day Athletic Events            |
|  Arts & Crafts Activities         |  Drones                      |  Parent Education                   |
|  Asbestos Exposure                |  Dunk Tanks                  |  Pee Wee Golf                       |
|  Athletic Leagues, Clinic, Camps |  Egg Toss                   |  Performing Arts                   |
|  ATVS                           |  Enrichment Programs       |  Petting Zoos                     |
|  Auctions                       |  Face Painting             |  Picnic                           |
|  Babysitting at Meetings        |  Family Portraits          |  Pizza Night                      |
|  Bake or Food Sales             |  Fashion Shows             |  Reading Night                    |
|  Balloon Artists                |  Fireworks                 |  Ring Toss                        |
|  Band Concerts                  |  Fishing (from land)       |  Rock Climbing Walls              |
|  Baseball Toss                  |  Food Sales                |  Rocketry                         |
|  Beautification Projects        |  Fortune Telling           |  Rummage Sales                    |
|  Bike Rodeos                    |  Fun Runs                  |  Sale of Weapons                  |
|  Book Fairs                     |  Gift Wrapping             |  Science Fairs                    |
|  Bounce Houses                  |  Golf Tournaments          |  Skating Rink (Roller & Skating)  |
|  Bowling                        |  Grad Nights               |  Spelling Bees                    |
|  Broom Hockey                   |  Haunted Houses            |  Sumo Wrestling                   |
|  Bungee Jumping                 |  Hobby Shows               |  Swim Parties                     |
|  Cake Walks                     |  Holiday Boutique          |  Talent Shows                     |
|  Candy/Wrapping Paper Sales     |  Hot Air Balloons          |  Transportation                   |
|  Carnivals                      |  Ice Cream Socials         |  Trailers (Detached or Non-Owned) |
|  Colored Sand Painting          |  Inflatable Slides         |  Workers Compensation             |
|  Concession Stands              |  Jail Auction Line Dancing |  Workshops                        |
|  Confetti Eggs                  |  Karaoke                   |  Zip lining                       |
|  Costume Parties                |  Litter Cleanup            |  |

**Note: If you do not see an event you are having on this list, please call AIM to verify coverage ( or your current carrier)**

## Exclusions

The following is a list of specifically excluded items under General Liability:

- Archery
- Automobiles & Vehicular Transportation of Any Type\*
- Asbestos Exposure
- Bungee Equipment or bungee Jumping
- Athletic Activities- organized sports including (but not limited to) sport clubs, sports camps, municipality teams, school teams (public or private), sports leagues, college teams or professional teams
- Hot Air Balloons
- Lead Exposure
- Mechanical/Motorized Rides at Carnival\*
- Nuclear Exposure
- Parasailing
- Rocketry
- Scuba Diving
- Scouting
- Watercraft\*
- Weapons, including but not limited to guns, knives, Swords, bows, axes and slingshots/catapults
- Workers Compensation Claims
- Zip Lining



*Walk-a-thons, fun runs, field days, donkey basketball, and other one day events are covered, as they are not considered to have a regular practice and game schedule.*

*\*Note: While the asterisked events are excluded in the event of a lawsuit, Medical Payments coverage may be available.*

## Liability Waivers

We receive many calls from PTAs asking about “waivers” of liability. It is very important to be aware that **you can never sign your liability away** regardless of the any document or waiver. A waiver will not hold up in court if your Association is found at fault for an injury occurring at one of your events. However, a waiver is a tool used to help deter the lawsuit mindset. By having all participants sign a waiver, you are helping to plant the seed that the participant is responsible for their own actions. While a waiver isn’t a requirement to extend coverage under the General Liability policy, it is a step in the right direction to help protect your Association against bodily injury lawsuits. There are two different waivers included within this Risk Management Guide. The first is a **Parent’s Approval and Student Waiver**. This would be used anytime you need a person under the age of 18 to sign for a specific event. The other is a **Participant’s Waiver**. This would primarily be used anytime you want someone over the age of 18 to sign for a specific event. You will find both of these waivers listed on the pages to follow. Both of these documents are also available on our website at [www.aim-companies.com](http://www.aim-companies.com).

**PARENT'S APPROVAL AND STUDENT WAIVER**

\_\_\_\_\_ has my (our) permission to participate in  
(Name of minor)

\_\_\_\_\_ on \_\_\_\_\_  
(Event or Activity) (Date)

At \_\_\_\_\_  
(Location)

I (we), as parent(s) or guardian(s) of the minor, do hereby, for my (our) \_\_\_\_\_  
(Son/Daughter)

Myself, my (our) heirs, executors and administrators, remise, release and forever discharge

\_\_\_\_\_  
(PTA)

And the Delaware State PTA, and all \_\_\_\_\_ officers, employees and  
(PTA)

agents of each of the foregoing, acting officially otherwise, from any and all claims, demands, actions or causes of  
action on account of referred. I hereby certify the minor is my (our) \_\_\_\_\_ and that his/her date  
(Son/Daughter)  
of birth is \_\_\_\_\_  
(Date)

And I (we) do hereby certify that to the best of my (our) knowledge and belief said minor is in good health. In case of illness or  
accident, permission is granted for emergency treatment to be administered. It is further understood that the undersigned will assume  
full responsibility for any such action, including payment of costs. I (we) hereby advise that the above named minor has had the  
following allergies, medicine reactions or unusual physical condition which should be made known to a treating physician. (If none,  
please write the word "none".)

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

1. \_\_\_\_\_  
Signature  
Print Name

\_\_\_\_\_  
Address City Phone

2. \_\_\_\_\_  
Signature Print Name

\_\_\_\_\_  
Address City Phone

3. Alternate Adult Contact:

\_\_\_\_\_  
Signature Print Name

\_\_\_\_\_  
Address City Phone

## PARTICIPANT'S WAIVER

In the consideration of the acceptance of my entry in the

\_\_\_\_\_ on \_\_\_\_\_  
(Event Title) (Date)

sponsored by \_\_\_\_\_ I, the undersigned  
(PTA)

participant, intending to be legally bound, do hereby for myself and heirs, executors,

administrators and assigns, forever waive, release and discharge any and all right, claims and

actions for damages that I may have, or that may hereafter accrue to me against the Delaware State PTA including all unit, council and district Associations and all of their officers, directors, members and volunteers.

I attest and verify that I am physically fit and able to participate in this event and acknowledge that I am aware of the inherent risks in participating in an athletic event of this type.

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Address City Phone

## **Additional Insureds**

If you are having an event, the event site may ask you to list them as an Additional Insured on your General Liability policy. We do not charge for these additions and will be happy to do this at your request. As a precaution, you must know that adding someone as an Additional Insured means you share your limits with someone else under your policy. For example, let's say you have a fun run at the city park and the park requires you to add them on as an Additional Insured. If the park gets sued because of something that happens at your event, your policy would provide defense for both your Association and the park, and you would SHARE total limits under your GL policy.

In order to process this request, we ask that you provide us with the form on the following pages. It is required that you provide the following information within the form:

1. The date and location of the event
2. The start and end time of the event
3. The name and address of the Additional Insured.
4. Any specific wording required by the entity wishing to be added as an additional insured on your policy.

You can fill out this form and fax it to us at 214-360-0802 or you can fill out this form online as well at [www.aim-companies.com](http://www.aim-companies.com).

# General Liability Additional Insured Request Form

## Association Information:

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

Insured Number: \_\_\_\_\_ Phone Number: \_\_\_\_\_

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

City, State & Zip: \_\_\_\_\_

Requesting Board Members Name: \_\_\_\_\_

Contact Email: \_\_\_\_\_

## Additional Insured Information:

Name of Additional Insured: \_\_\_\_\_

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

City, State & Zip: \_\_\_\_\_

Where to send Certificate (Email/Fax): \_\_\_\_\_  Same as above

Name/Description of Event: \_\_\_\_\_

Dates/Times of Event: \_\_\_\_\_

Additional Insured Wording (if applicable): \_\_\_\_\_

## Acknowledgements:

Please note, adding an Additional Insured means you agree to share the total limits of the policy.

Board Member Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Typed or Electronic Signatures are not accepted.

Please send to [aim@aim-companies.com](mailto:aim@aim-companies.com). Please allow 24 hours for processing.



Association Insurance Management  
P O Box 742946 Dallas, TX 75374-2946  
Phone: 1-800-876-4044  
Fax: 214-360-0802

Ed 9.2016

# General Liability Additional Insured Request Form

## Primary & Non Contributory

<b>Association Information:</b>
Association Name: _____
Insured Number: _____ Phone Number: _____
Address: _____
City, State & Zip: _____
Requesting Board Members Name: _____
Contact Email: _____
<b>Additional Insured Information:</b>
Name of Additional Insured: _____
Mailing Address: _____
City, State & Zip: _____
Where to send Certificate (Email): _____ <input type="checkbox"/> Same as above
Name/Description of Event: _____
Dates/Times of Event: _____
Additional Insured Wording (if applicable): _____
_____

You have requested that an Additional Insured be added to your policy on a primary, noncontributory basis. We want to make sure you are fully aware of how adding this language can change your insurance currently purchased for your Association. Noncontributory as included in "primary and noncontributory" is generally understood to mean that contribution will not take place—there will be no contribution. In other words, noncontributory means I have agreed to provide you liability insurance so that your liability insurance would never respond, regardless of the size of the claim. Primary and noncontributory is actually about the priority of insurance coverage—which policy will respond as primary insurance and which policy will respond as excess insurance. In other words, whose policy will be first and whose will be second. When two insurers concurrently provide coverage for the same insured for the same incident or claim, and one insurer pays more than its share of damages on behalf of the insured, the insurer paying more than its share has a right to contribution against the other insurer(s) to recover the amount it paid that exceeds its proportionate share. By adding this primary and noncontributory language, it establishes the order or priority of coverage and no longer is concerned with allocating percentages of fault. Noncontributory generally means that an insured/insurer has agreed not to seek its independent right to contribution when two or more insurers apply to the same accident for the same insured. We want you to fully understand that when you assign the policy on a primary, noncontributory basis to an additional insured, this could reduce any policy limits purchased and available to your Association and limit your ability to collect for damages from the Additional Insured that may have been negligent. I acknowledge I understand how adding this language could affect the policy limits of my policy.

<b>Acknowledgements:</b>
Please note, adding an Additional Insured means you agree to <u>share</u> the total limits of the policy.
Board Member Signature: _____ Date: _____
Typed or Electronic Signatures are not accepted.

Please send to [aim@aim-companies.com](mailto:aim@aim-companies.com). Please allow 24 hours for processing.



## Contractors/Vendors

There are times when your Association will agree to bring certain vendors or contractors in as entertainment. Prior to bringing in a vendor or contractor, you should ask for a copy of their Certificate of Insurance. A Certificate of Insurance should only come from the insurance company where the vendor does his/her business. Make sure that there is a current date on the Certificate, as that will be your proof that the vendor has followed prudent business practice and has kept his/her insurance active. Your policy **does not insure such vendors**, but it does cover claims for attendees who get hurt from a vendor's services.

## Host Liquor Liability

Host Liquor Liability is NOT excluded under General Liability policies. Host Liquor Liability is defined as bodily injury or property damage arising out of the serving or distribution of alcoholic beverages by a party not engaged in this activity as a business enterprise. A liquor store or bar would be an example of a business enterprise serving or distributing liquor. The liability policies protect you when you host parties and events where alcohol is served. There is coverage whether you give the alcohol away or charge for it. No matter where the party is actually held, your liability insurance goes with you. The act of hiring a caterer to serve food and alcohol does not exclude your Host Liquor coverage. However, if you cater the event and the venue or caterer sells the alcohol, then they assume the liquor liability exposure. You should verify that they have liquor liability insurance by requesting proof of insurance.

## Proceed With Caution

The following activities are those which **ARE** covered under your General Liability insurance policy, but we ask that you follow the outlined precautions to limit the risk of a claim.

1. **Babysitting** – Babysitting is something that you would provide during PTA meetings or sponsored events. We ask that you have two adult volunteers (18 years or older) in the room at all times. This dual rule is in force to protect against any molestation claims, to provide a second witness to rule out false claims, and to provide extra assistance in the case of an emergency. **Paid babysitters are not covered under this policy.**
2. **Athletic Events** – Your General Liability policy covers athletic events such as fun runs, field day, and donkey basketball as long as they are being run by your Association. Your General Liability policy does not cover athletic organizations which maintain a regular practice and competition schedule such as a football team or cheerleading squad. Your PTA insurance policy is only meant to cover those 1 or 2 day events that your Association runs...not the football team, the cheerleading squad, or the band.
3. **After School programs** – Your General Liability policy covers your after school programs. For the after school program to be considered your program, your Association must both organize, and manage the program. If your Association participates in an after school program that is organized and managed by the school, that program is not covered.

## General Liability Deductible

There is no deductible for a claim filed under the **underlying policy- \$1 Million Limit**  
**Umbrella \$15,000 Million limit- \$10,000 Deductible**

# Supplements to your General Liability Policy

## Extended Medical Payments

**(Optional Endorsement to General Liability)**

If you have General Liability, why do you need Extended Medical Payments Limits? How is it different? If you read the General Liability section, you will remember that there is only a \$5,000 provision for the Medical Payments component of your General Liability policy. If you have a claim above \$5,000, the injured party could sue your Association for any amounts incurred. Also, because the Medical Payments coverage is a separate component of the GL policy, outside of a lawsuit, fewer exclusions apply.

The Medical Payments component provides additional coverage for out of pocket medical expenses and helps deter lawsuits. **This is by no means a replacement to your liability policy but a supplement, as the Medical Payments coverage does not provide protection in the event of a lawsuit.**



*Medical Payments coverage provides Out-Of-Pocket Medical Expense coverage for events that may be specifically excluded under General Liability. It is a supplement to the General Liability policy, not a replacement.*



## Coverage Highlights

The Medical Payments coverage provides medical payments to someone injured at one of your Association's events. It also provides potential coverage for things that are excluded under the underlying General Liability policy such as:

1. Mechanical Rides (such as mechanical bulls, Ferris wheels, and motor driven trains)
2. Watercraft
3. Automobiles (including school buses and personal autos)
4. Hayrides (if pulled by an automobile or a tractor)
5. Parade Floats (if motor driven or pulled by an automobile)

This list is not all inclusive. If you have a question about a specific event or wish to inquire about coverage provided, please call AIM at 1-800-876-4044.

## Extended Medical Payments Coverage Limits

Extended Medical Payments coverage is available for purchase in the following Increased Limit Options:

1. \$10,000
2. \$25,000
3. \$50,000

# Media Liability

**(Optional Endorsement to General Liability)**

As a supplement to your General Liability policy we also offer Social Media Liability Coverage. This coverage is designed to protect you from liability in the event you accidentally misuse or disclose information on your website or other social media site. This includes misuse of logo, copyright, pictures, confidential information and other misrepresentations or misappropriations.

## Coverage highlights:

### **Pictures- do you have permission?**

- Invasion of privacy by posting a photograph that has not been released for use.

### **Outside company logos- do you have occasion to include company logos for events?**

- Infringement of copyright, trademark, or logo, when you accidentally post something.

### **Could someone feel you misrepresented details of your event and hold you responsible?**

### **Could you show support for a certain group (ethnic, age, political, gender) and be sued for discrimination?**

- Misinterpreted or misconstrued messages by your readers.

### **Do you make public ANY information that could be considered confidential?**

- You could be held liable for disclosing of confidential information.

These are just some of the innocent mistakes made every day by well-intentioned people.

## Media Liability Limits:

Media Liability is available for purchase in the following Limit options:

1. \$25,000
2. \$50,000
3. \$75,000
4. \$100,000

# Terrorism

**(Optional Endorsement to General Liability)**

Under the Terrorism Risk Insurance Act, you have the right to purchase insurance coverage for losses resulting from Certified Act of Terrorism (certified by the Secretary of the Treasury). In comparison to other risks PTAs face, the risk of a Certified Act of Terrorism occurring at one of your events is relatively low. Contact us with questions about determining if your Association needs Terrorism coverage.

# Fidelity Bond (Commercial Crime)

A PTA should be run like a business. You have a budget to work within, deadlines to meet, and events to plan. The main concern in any business is finances. You may have many different officers with check signing capabilities or you may trust one of your volunteers to run to the bank to deposit fundraising money. Although there may be various safeguards set up to protect your funds, there is still a large risk of someone embezzling your money. The Bond (or Commercial Crime) policy is set up to protect your money, scrip, securities, and other cash equivalents against embezzlement, robbery, and theft.

## Embezzlement, Robbery and Theft

With the Bond coverage, your funds are covered from embezzlement by anyone that you entrust with your Association's money.

Some of the people your Association might trust with your funds include:

1. Officers
2. Volunteers
3. Members

## Position Bond vs. Blanket Bond

There are two types of bonds out there... Position Bonds (single person) and Blanket Bonds (Association). Position Bonds usually cover only one person or one position within your Association. While this option may seem less expensive than a Blanket Bond, these Bonds only protect your Association if that particular person embezzles the money. For example, if your Association only bonds the Treasurer, you will find yourself in a difficult situation if the President embezzles the money. The policy that AIM offers is a Blanket Bond. Under a Blanket Bond, it is not necessary to name everyone covered by the bond, nor the position that they hold within your Association. In the event of a claim, we would ask if the person suspected of embezzlement was trusted with the money or if they stole funds belonging to your Association. Your funds are also covered for anyone that has check signing capabilities who fraudulently forges a second signature on outgoing checks.

## Requirements and Conditions

In order for Bond coverage to apply to your Association, you must comply with the following requirements:

1. Your Association must conduct an annual audit/review of the books by an audit/review committee or qualified accountant.
2. The monthly bank reconciliation must be reviewed and signed by someone who does not have authorization to sign checks. Financial software does not qualify under this requirement.

**Coverage may be voided if the above requirements and conditions are not followed.**

## *The Two Biggest Obstacles Concerning Embezzlement:*

1. *Understanding that trust can be broken under the right circumstances.*
2. *Thinking it won't happen to your Association.*

## Safeguarding Your Funds

While the Bond policy is available to protect your funds should they become embezzled or stolen, it is much easier to avoid the situation altogether. With the right safety practices, you can keep your hard-earned funds safe and avoid a disaster altogether.



## Exclusions

The Bond policy does not cover funds which disappear by mysterious or unexplained loss. Additionally, if the conditions of the bond policy are not followed, then your claim has the potential of being denied.

## Policy Limits

Verify individual policy amounts

## Police Reports Are Required

Whether you are talking about embezzlement, robbery or theft, these are all very serious illegal crimes. In order to process a claim, you must notify the authorities in your area and furnish us with a police report naming the individual you suspect embezzled the funds. This may be the hardest part of any embezzlement claim, as the individual whom you suspect of the crime is probably someone very close to you and other members of the board.

## Bond Deductible

Check your insurance policy for your coverage

## Top 10 Ways to Protect Your Funds Against Embezzlement

1. *Never take money belonging to the Association home.*
2. *Deposit money into the bank daily, even if a project is on-going.*
3. *Two people should always count the money and sign the receipt verifying the amount.*
4. *Two signatures should be required on all checks.*
5. *Never sign a blank check or a check made out to "cash."*
6. *All bills should be paid by check, never cash.*
7. *AVOID Debit or Credit card use.*
8. *Conduct an annual audit/financial review of the books.*
9. *Have a non-signer physically receive, review and sign the bank statements monthly.*
10. *Purchase a Bond Policy and follow the requirements.*

# Property Coverage

**(Optional)**

Every PTA is worried about theft. Whether someone breaks into the Association's storage facility or someone steals merchandise from an event, the issue of theft raises concerns. Your Property policy is there to protect the personal property of your Association from such perils as theft or fire. One thing that most PTAs don't realize is that your Property policy can also **protect your fundraising merchandise, auction items, and raffle prizes.**

For example: Your Association conducts wrapping paper sales as a fundraiser and takes delivery of that merchandise on Friday. Until the children pick the merchandise up on Saturday, you agree to keep the wrapping paper in a portable storage building. What you don't realize is that the storage building has a leaky roof and a rainstorm is coming. Overnight, all of your wrapping paper is ruined, the children have come to pick up their wrapping paper for delivery, and your Treasurer says that your Association still owes the fundraising company for the wrapping paper. This policy is designed to protect you in a situation like this.

*"We don't have a lot of property, but we do have fundraisers and raffles. Can the Property Policy protect raffle items in our possession for a short time?"*

**ABSOLUTELY!**

## Property Covered

Your Property policy covers personal property of your Association from perils such as fire, lightning, windstorm, theft, and vandalism. Personal property of PTAs are typically items including popcorn machines, school store supplies, cash registers, posters, coffee makers, and any other property that your Association uses on a regular basis. As mentioned above, fundraising merchandise is also covered for the same perils.

## Gifting Money to the School

We all know that PTAs raise money to purchase items to give to the school. To decrease your liability, AIM recommends that the PTA not purchase any merchandise to give to the school directly. Instead, a better choice would be for the PTA to "gift" the money to the school and allow the school to purchase the items that your Association wishes to donate. We have included a sample gifting letter on the next page for you to use as a reference. While this is an acceptable form, we encourage you to put together your own gifting forms with your letterhead to use for your school.

*Gift money directly to the school rather than purchase gift items yourself. See the following page for a sample gifting letter.*

# Sample Financial Gifting Letter

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

The \_\_\_\_\_ is donating \$ \_\_\_\_\_ to the \_\_\_\_\_  
(PTA) (School/School District)

for the following purpose/purchase(s) of: \_\_\_\_\_ . If this purchase is not

made by \_\_\_\_\_, this amount will be returned to the \_\_\_\_\_.  
(Date) (PTA)

The \_\_\_\_\_ will be provided with a copy of the purchase order or requisition  
(PTA)  
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 \_\_\_\_\_ is donating money for the purchase of the following: \_\_\_\_\_  
(PTA)

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

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

The school will be responsible for the 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 the \_\_\_\_\_ harmless for any claim arising out of ownership of the use of the item(s).  
(PTA)

Signed \_\_\_\_\_ Date: \_\_\_\_\_  
(PTA President)

\_\_\_\_\_  
(Principal/Administrator) Date: \_\_\_\_\_

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

## Gift Property Directly to the School

Although we recommend that any PTA donate money directly to the school instead of gifting property, we do recognize that many Associations will donate property directly to the school. If this is the route your Association chooses, we recommend getting the school to sign a Hold Harmless Agreement for the property that is donated. The Hold Harmless Agreement says that the school will hold your Association “harmless” for any maintenance or accidents of the donated property. We have included a sample Hold Harmless Agreement in this Risk Management Guide.

*Always use a Hold Harmless Agreement when donating property directly to the school*

## Exclusions

There are certain exclusions within your Property policy. The following is a list of specifically excluded items:

1. Scrip/Gift Certificates – The theft of scrip is not covered. Scrip is covered under the Bond policy for embezzlement or theft.
2. Marquees – Many PTAs will conduct a fundraiser for a new sign or marquee which will go in front of the school. Once these signs are permanently grounded, they become real property and are usually covered under the school’s Property and Casualty policy.
3. Computer Labs – As with the marquees, once these computers are given to the school for use by the students, they become property of the school. These labs are not for everyday use by the PTA. A computer specifically dedicated for your Association’s use however, is covered.
4. Playground Equipment – This policy does not cover any playground equipment on school grounds. This property should be covered under the school’s property policy.  
**(Note: under many school insurance policies, items such as Marquees, Computers, and Playground Equipment must be gifted to the school in order to provide coverage)**
5. Other perils – This policy does not provide coverage for wear and tear, dishonest or criminal acts by a member of the PTA, or damaged property prior to your policy start date.

This list is not all inclusive. If you have a specific question about event coverage, please call AIM at 1-800-876-4044

## Property Deductible

There is a \$250 deductible for a claim filed under this policy.

## Terrorism (Optional Endorsement to Property)

Under the Terrorism Risk Insurance Act, you have the right to purchase insurance coverage for losses resulting from Certified Act of Terrorism (certified by the Secretary of the Treasury). In comparison to other risks PTAs face, the risk of a Certified Act of Terrorism causing a property loss to your Association is relatively low. Contact us with questions about determining if your Association needs Terrorism coverage.

# Sample Hold Harmless Agreement

(Name of the PTA's) insurance does not cover vendors, concessionaires or service providers. Consequently, all vendors, concessionaires or service providers are required to provide Evidence of Insurance to (Name of the PTA) unless annual Evidence of Insurance has been filed with the (Name of the PTA's) Insurance Broker.

## HOLD HARMLESS AGREEMENT

For (Name of the PTA) Fund Raising Vendors, Concessionaires, or Service Providers.

### Insurance Requirements:

- (a) Workers' Compensation Insurance. Required if you have employees engaged in the performance of work under the agreement.
- (b) Comprehensive General Liability, Required \$1,000,000. Combined Single Limit.  
This policy shall cover, among other risks, the contractual liability assumed by vendor/concessionaire/service provider under the indemnification provision set for in the agreement, and include Bodily Injury, Property Damage, Personal Injury.
- (c) Automobile Liability Insurance. Required only if you are providing transportation (e.g., limousine or bus service) at (Name of the PTA's) event. \$5,000,000 limit required.

If you (vendor/concessionaire/service provider) fall under (b) or (c), a Certificate of Insurance showing policy limits and an endorsement to the policy MUST be submitted with your contract.

**Contract containing the following language MUST be added to the above policies (b) and (c) as an Additional Insured:**

The (Name of the PTA), including all of their officers, directors, members and volunteers. The Insurance afforded by this policy shall be primary insurance to any other valid and collectible insurance available to (Name of the PTA) and

\_\_\_\_\_  
(Name of vendor/concessionaire/service provider)

I/WE \_\_\_\_\_ (vendor/concessionaire/service provider) agree(s) to defend and to indemnify and hold harmless, at my own cost, the (Name of the PTA) and all of their officers, directors, members and volunteers.

NOTE: The terms and conditions of this agreement shall apply with respect to Vendor's/Concessionaire's/Service Provider's operations on the premises located at:

Date: \_\_\_\_\_ Signed: \_\_\_\_\_  
(vendor/concessionaire/service provider)

Name of Entity: \_\_\_\_\_ Title: \_\_\_\_\_

Note: Failure of Vendor/Concessionaire/Service Provider to keep the required insurance policies in full force and effect during the work covered by this agreement shall constitute a breach of this agreement. In the event of a breach, (Name of the PTA) shall have the right but not the duty to procure insurance covering the vendor for the period of this agreement. The cost of this insurance will be deducted by the (Name of the PTA) from proceeds due to the Vendor/Concessionaire/Service Provider.

# Officer's Liability (Non-Profit Professional Liability)

We've covered your events with the General Liability Policy and Medical Payments Coverage, your funds with the Bond Policy, your property with the Property Policy (optional), but what about the decisions that you make as a board? As with any business, you as an officer of your PTA can be sued for decisions that you make individually or as an Association. These decisions can include what type of fundraiser to have, where to hold an event, or any other managerial decisions. This policy is to protect the way you manage your Association and the decisions that are made by you and other board members.

## Coverage Highlights

The Officer's Liability policy provides **\$5,000,000** to cover decisions you make as an officer. Other things that might fall under this coverage are:

1. Inappropriate use of Association funds
2. Wrongful acts, misleading statements, or negligent acts
3. Discrimination
4. Not following your by-laws
5. Misrepresentation

This list is not all inclusive. If you have a question about a specific situation and are inquiring if coverage is provided please call AIM at 1-800-876-4044

## Exclusions

There are certain exclusions that are within your Officer's Liability policy. The following are specifically excluded items:

1. Criminal acts
2. Any knowingly wrongful act
3. Willful or reckless behavior
4. Dishonesty

This list is not all inclusive. If you have a question about a specific situation and are inquiring if coverage is provided please call AIM at 1-800-876-4044

**Officers Liability Deductible** Check your insurance policy for your coverage

## **Claims**

We take claims very seriously and ask that you let us know about a potential claim as soon as possible. We have included the following Notice of Occurrence claim form in this publication, but you may also print one from AIM's website ([www.aim-companies.com](http://www.aim-companies.com)), or call us at 1-800-876-4044.



# Claim Form

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

**Producer/Mailing Address:**

AIM Association Insurance Management, Inc.  
8144 Walnut Hill Lane, Suite 1500  
Dallas, TX 75231  
1-800-876-4044 \* FAX 214-360-0802  
[PTAClaims@aim-companies.com](mailto:PTAClaims@aim-companies.com)

**Insured Information:**

Name of Association: \_\_\_\_\_  
Insured ID: \_\_\_\_\_ Policy Number: \_\_\_\_\_  
Address: \_\_\_\_\_ Council: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip \_\_\_\_\_

**Person reporting claim:**

Name: \_\_\_\_\_ Position: \_\_\_\_\_  
Phone Number: \_\_\_\_\_ Email \_\_\_\_\_

**Type of Loss:**

Theft of money  
Was a police report filed? \_\_\_\_\_ If so, please include.  
 Theft or Damage of property  
 Was a police report filed? \_\_\_\_\_ If so, please include.  
 Injury  
 Other \_\_\_\_\_

**Witness Contact Information:**

Witness Name \_\_\_\_\_ Phone: \_\_\_\_\_  
Email: \_\_\_\_\_  
Witness Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

**Occurrence:**

Date: \_\_\_\_\_ Location: \_\_\_\_\_

Description of Occurrence: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Injured Party Information:**

Name: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_

Phone Number: \_\_\_\_\_ Email Address: \_\_\_\_\_

Description of Injury: \_\_\_\_\_

\_\_\_\_\_

Cause of Accident: \_\_\_\_\_

\_\_\_\_\_

**If you have any photos or videos of the event, please provide them.**

**Additional Information:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## Additional Questions

Should you have additional questions that we haven't answered in this Risk Management Guide, please feel free to contact us through one of the ways listed below:

Association Insurance Management, Inc.

PO Box 742946

Dallas, TX 75374-2946

1-800-876-4044 or 214-360-0801

Fax: 214-360-0802

Email: [aim@aim-companies.com](mailto:aim@aim-companies.com)

Website: [www.aim-companies.com](http://www.aim-companies.com)

This Risk Management Guide is only a summary of policy coverage and in no way takes precedent over actual policy language. Your insurance policy, and not the information contained in this document, forms the contract between you and your insurance company. If there is a discrepancy or conflict between the information contained herein and your policy, your policy takes precedence. Certain coverages are not available in all states due to state insurance regulations. Certain coverage(s) may be provided by a surplus lines insurer. Surplus lines insurers do not generally participate in state guaranty funds and insureds are therefore not protected by such funds.

ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR ANOTHER PERSON FILES AN APPLICATION FOR INSURANCE OR STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION, OR CONCEALS FOR THE PURPOSE OF MISLEADING INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME AND SUBJECTS THE PERSON TO CRIMINAL AND CIVIL PENALTIES.

