

Fundraising for PTAs

Fundraising is the method of raising money to finance PTA programs and projects.

- Fund-raising project must support the goals of PTA
- Be related to the educational, charitable, and philanthropic purposes as a tax-exempt organization
- Should use the 3-to-1 rule. *For every one fund-raising activity, there should be at least three non-fund-raising programs aimed at helping parents or children or advocating for school improvements*
- Should involve as many members as possible and be fun.
- Should not be a burden to the school staff or parent volunteers, compete with or detract from school lunch and nutrition programs, or conflict with other PTA, school, or community events.
- **Children should never be used to sell door-to-door or exploited to raise funds.**
- It cannot involve commercial or advertising obligations.

The fundraising project must have the approval of the membership in advance of the event and the vote must be recorded in the minutes. Projects must have a specific purpose. The project, if it is an ongoing activity or program, must be approved each year by the association membership.

Protecting PTA Tax Exemption

PTAs are exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. To retain the tax-exempt status, ***PTAs must pay attention that fundraising does not become its primary focus.*** All PTAs function under the exempt status of the California State PTA and the National PTA. An individual unit can have an effect on the entire organization. Disregarding the prohibition against substantial commercial activities could result in having to pay tax or a tax penalty and/or loss of tax-exempt status by the IRS.

FUNDRAISING COMMITTEE RESPONSIBILITIES

PTA fundraising activities are carried out by a committee whose chairman is an appointed or elected member of the executive board.

The major responsibility of the fund-raising committee is to raise the amount needed to meet the proposed unit budget and to work cooperatively with the PTA president and treasurer in accounting for receipts and disbursements for the activity. The committee may also plan specific fundraising events and activities.

Fundraising events must be approved in advance by the executive board and association. Approval should be recorded in the minutes.

Noncommercial Policy

The noncommercial policy requires that the name "PTA" or the names of PTA officers not be used in conjunction with the commercial activities of other organizations, including, but not limited to, the promotion of their goods and services.

Continuing or repeat projects produced in cooperation with a commercial business may be seen as PTA endorsement of that business, as may the use of the name of PTA along with the business name in promotions. The organization or members in their official capacities shall not be used to endorse or promote a commercial entity or engage in activities not related to the promotion of the Purposes of the PTA.

Do not make a qualitative judgment of the sponsors products or services. Do not include comparative language or language that implies good quality in the acknowledgment. Do not permit the sponsor to write the acknowledgment of thanks. Do not ask members or the public to buy the products or services of the sponsor. Do not advertise a product or service. Do not endorse a product or service.

SPONSORSHIP VS. ENDORSEMENT

The law permits a nonprofit organization to receive corporate sponsorship income tax free if the sponsorship is linked to a specific event that is held once per year. It is acceptable for PTA to receive payments structured as royalties or to enter into sponsorship agreements with businesses, including e-commerce businesses.

For the payment to qualify, there must be no arrangement or expectation that the business will receive any substantial return benefit for its payment. The PTA may not enter into a partnership with a business. Partnership implies sharing in the profit and loss of the business and would result in unrelated business income and tax liability. (Unrelated Business Income Tax 5.7.6, 225)

The PTA should acknowledge publicly the royalties or sponsorship. The acknowledgement of thanks can list the corporate sponsor's name, logo, address, telephone number, and products.

PTA May:

- Hang a banner on the school campus with permission of the school principal per district policy.
- Hang a banner where the event is being held after a Facilities Use Permit (1.3.4a, 18) is approved.
- Place an acknowledgement in the event program book.
- Announce to the audience the event sponsors.
- Acknowledge the sponsorship of the particular event in the PTA newsletter or school newsletter, if school district policy permits.
- Distribute samples of the sponsors products at the sponsored event (if school district policy permits) or if a Facilities Use Permit (1.3.4a, 18) allows sponsored product distribution.

Each fundraising opportunity must be evaluated individually.

When considering and carrying out large fundraisers, keep the following concerns in mind:

- ✓ Is the fund-raising project related to PTAs educational, charitable and philanthropic purposes as a tax-exempt organization?
- ✓ Does the project violate PTAs noncommercial policy?

SAFEGUARDS FOR CONDUCTING FUND-RAISING PROJECTS

To protect the PTA and its volunteers against loss, theft and mismanagement of funds, the following procedures must be followed:

1. Ensure that the proceeds of the project are designated for a specific purpose that meets the Purposes of the PTA.
2. Read all contracts carefully.
3. Ensure that the contract is signed by two elected officers of the PTA, one of whom must be the president, after the membership has voted to conduct the project.
4. Follow the financial procedures required by the California State PTA bonding insurance program.
5. Ensure that money is always counted by at least two PTA board members in a secure location.
6. Plan for the safe-keeping of money until it is deposited in the bank.
7. Follow correct financial procedures:
 - Deposit receipts promptly.
 - Keep accurate, current records.
 - Provide treasurer with a written report.
 - Use the Payment Authorization Form (Forms 411).
 - Pay bills by check (not cash) after a vote of the association.
 - File IRS Form 990/990EZ when gross receipts for all PTA income for the year are over \$25,000.

Guidelines for PTA Gifts to Schools

Due to the current the budget crisis in California, the California State PTA has received many inquiries about how PTAs/PTSAs can help their local schools fund programs that parents consider crucial to their child's education and safety. The issue of school staff layoffs and cuts to programs and supply budgets is presenting PTAs/PTSAs with requests to fund programs, supplies and employee

costs. **PTA/PTSA programs generally promote parent education and involvement, home and school cooperation, children's well-being, community betterment, PTA leadership training, and must have priority for PTA/PTSA funds.** *However, when a PTA/PTSA is asked to purchase materials or provide staffing for the local school, it is necessary to follow certain guidelines so that the gift will be acceptable to both the PTA/PTSA membership and the school district.*

Gifts, such as funding for enrichment programs, teacher aides, special instructors, textbooks, classroom supplies, or major equipment purchases, **require prior approval** from the PTA/PTSA membership, school principal, and school district.

PTA/PTSA members must:

- Approve the expenditure of all funds, including the amount of monies to be used for purchasing school equipment or staffing.
- Approval must be obtained **prior** to any school equipment purchase or staffing.
- This approval must be presented by a motion, followed by a vote at a meeting of the membership and must be recorded in the association minutes of the meeting.
- **Since PTA/PTSA membership is new each year, funds cannot be committed from one year to the next.**

A gift to the school should benefit the largest number of students possible.

- Be sure to check with the school district before purchasing any materials for the school.
- Gifts should be in the form of a donation, presented and accepted by the school board at a school board meeting, and recorded in the school board minutes.
- At the first association meeting following the acceptance of the gift by the school board, a description of what was given to the school district must be noted again, and the date the school board accepted the gift must be recorded in the PTA/PTSA association minutes.
- This ensures that the school district will assume responsibility for the liability, maintenance and up-keep of any equipment purchased.
- When a gift to the school is presented and accepted by the school board, it becomes the property of school district and can be moved or used in any school within the district; therefore, it is important to specify the school site that your PTA/PTSA wants to give the gift to.

- Use of the PTA Fiduciary Agreement will assure proper use of the donated funds.
- When funding classroom field trips, funds must be gifted to the school district and earmarked for the payment of buses and/or admission fees.
- PTA/PTSA members may not assume responsibility for transporting students as PTA's Liability Insurance does not cover transportation in personal vehicles.

When paying the cost of school personnel,

- Funds should be gifted to the school district, so that the employee is covered by the school district insurance and payroll tax obligations are met.
- It is important to remember that school districts and local unions negotiate contracts and they must review any agreements made with any school personnel, before entering into a direct employee payment.
- **Before entering into a direct employee payment, The PTA/PTSA must obtain prior approval from the California State PTA insurance broker.** The PTA/PTSA shall not under any circumstance enter into a direct employee payment without first contacting and receiving approval from the insurance broker.