



Financial Guidelines

Your school's tax exempt status

Your PTO, as well as PT Council, is a 501(c) (3) organization. 501(c) (3) is a section of the tax code that denotes tax-exempt organizations. An organization can become classified as a tax-exempt organization after they have applied to the IRS. Normally this takes about 5 years to get the final determination from the IRS.

If Parent Teacher Organizations (PTOs) do not follow these guidelines, they are at risk of losing their tax-exempt status for non-compliance.

To maintain your tax-exempt status, you must make sure that the money you raise is used to support your mission. (The mission statement for PT Council and all its members schools can be found at the front of this handbook.) Money should not be supplanting funds from the Stamford Public Schools but should be used for enhancement of programs and extracurricular activities. All your expenses should fall within the tax-exempt purpose of your PTO. Detailed functional expenses must support your description of program services

The way your organization is listed with the IRS is your official name. Be sure to make the changes on your bank account and By-Laws.

The Tax-Exempt Status packet enclosed must be marked as the master copy and copies of this packet can be used as needed.

Donations

Contributions made to 501(c) (3) organizations are tax-exempt. This is an incentive to encourage potential donors to give to these organizations, so tax-exempt status must be well guarded. Compliance to 501(c) (3) guidelines is required to maintain tax-exempt status.

Any contribution to your PTO of \$250 or more must be acknowledged by a letter from your PTO to the donor. The donor will use the letter to prove that his contribution is tax-deductible.

For "quid pro quo" contributions (contributions where the donor is getting something in return for his money) your PTO must specify how much of the money is deductible. For instance, if tickets to a PTO dinner are \$75 and of that \$75 the value of the dinner is \$30, but the rest of the money goes to the PTO, the ticket buyer is eligible to claim a deduction of \$45. This information must be disclosed and can be printed on the ticket to the event, or in the brochure/flyer for the event.

Contributions to your PTO of a service (tax preparer, attorney services, etc.) may not be deducted by the contributor as a donation. Contributions of goods (gift certificates, prizes for an auction) can be deducted by the contributor for fair market value.

Tax filing guidelines

Each PTO prepares an individual return. Your PTO gets a group exemption from PT Council # 4229. These guidelines require the filing of 990 or 990EZ tax forms by the 15th day of the 5th month after the close of the fiscal year if your gross receipts are normally over \$25,000. For PTOs that's 11/15, since the fiscal year ends on 6/30.



“Gross receipts” means that if \$25,000 flows through your organization at any time—even if you don’t keep all that money, or your total yearly budget is less than \$25,000—you must file. So, if your school’s biggest fundraiser grosses \$25,000, even though you only net \$12,500 because you send the rest of the money to the fundraiser company, you must file.

It is very important for your organization to file the 990 form, or the 990EZ form, every year. Copies of tax returns are submitted to Parent Teacher Council treasurer by Dec. 15th. PTC must have current tax returns for each parent teacher organization for that organization to remain a member in good standing.

990 form, Part III, all your expenses should fall within the tax exempt purpose of your PTO. The tax-exempt purpose of your organization is spelled out in the mission statement which you will find at the front of this handbook. This is the mission statement that was used when applying for our tax exemption and it is important we abide by it. Detailed functional expenses must support your description of program services

Grant money is to be listed on the tax return if PTOs are handling the grant.

If the IRS determines that you are collecting money and not filing returns, your 501(c) (3) tax status will be invalidated and contributions to your organization will no longer be tax-deductible. This can be retroactive.

Since any school that does not conform to 501(c) (3) rules could jeopardize the non-profit status of all the schools listed in the group tax exemption, PT Council can exclude an uncooperative school from its organization. Because PT Council holds the group exemption (# 4229) for all of the PTOs in Stamford, it is PT Council’s responsibility to make sure that your taxes have been filed. If they haven’t the 501(c) (3) status of all of the schools might be in jeopardy.

The IRS Website (www.irs.gov) has information about filling out tax forms as well as forms you can download and print.

If your PTO’s gross receipts total less than \$100,000 and you have assets of \$250,000 or less you may file the 990EZ form, which is shorter and easier than the 990 form. Most PTO’s assets are substantially lower than \$250,000. If your PTO’s gross receipts are normally \$100,000 or more, you must file the 990 form.

If you won’t be able to prepare your taxes on time, you may get an extension form (# 8868) from the IRS website. This will give you a “no-questions-asked” 3-month extension. You may file for another extension when those 3 months are up, but that extension will have to be approved by the IRS.

If your school is not required to file taxes because your gross receipts are less than \$25,000, let PT Council know.



Fundraising

Each school has its own tax id number (EIN number). Each PTO has its own tax id number as well. Any fundraising for the school done by the principal should be done through the school's tax id number, with the Board of Ed's approval on how the money is to be used.

Any money raised by the school, becomes district money. Any money raised by the school must be recorded and reported properly.

Fundraising by the PTO should be done through the PTO's tax id number, with the PTO's approval on how the money is to be used. The money should be used to support the budget and the mission of the PTO.

On your 990 form, you must include direct expenses—what it cost you to run each event listed. If you run many events, each must be detailed. Prize donation value must be added in to offset direct expenses of prizes being given out. Even if it doesn't change the bottom line of your income you must still acknowledge the prize donation in and the prize given out.

Use "fair market value" to determine the value of prize donations.

Each fundraiser should have a stated goal—either specific (a new playground) or general (for the general stated mission of the organization/enrichment/operating budget). The anticipated fundraising income should be included when planning the yearly operating budget.

Gifts/Discretionary Accounts

There should be no "discretionary account" for principals out of PTO funds without PTO controls. A PTO can however set aside a small amount of money (\$500-\$1000) for a principal to use without getting approval first. Receipts would still have to be collected for all of these expenses. Any additional PTO money spent by principals must be approved by the PTO and documented with receipts that are handed in.

Stipends given to teachers should be called 'gifts' and remain under \$150 each in order not to have to collect receipts for the expenses. It should be documented in the minutes that these gifts are being distributed.

Dues

All membership dues must now be donations to maintain our 501(c) (3) status.

Payments for busses/field trips

Payments for Laidlaw busses are fine. They have an insurance certificate that covers the BOE and volunteers from being held responsible.

You can make payments for other busses and/or field trips (i.e. Nature's Classroom) but the teacher or principal must get a copy of the bus company's or field trip destination's insurance coverage showing the same protection. Hugh Murphy, the director of finance, is sending the principals a reminder of this procedure. If the PTO is handling the bus or trip arrangements, then the PTO needs to get this insurance information.



Do's and Don'ts

501(c) (3) organizations cannot engage in any political activity, and cannot contribute to any candidate's campaign for office.

Political lobbying is not allowed. This includes supporting a BOE candidate. If you give time to one candidate you must give time to all.

A good rule of thumb is 85% of raised funds should be used for exempt purpose, 10% for management and 5% for fund raising.

A PTO cannot make charitable contributions. A contribution to another school's PTO is allowed.

A PTO can solicit contributions for any charity as long as it's disclosed that the money raised is going to go to a charity. No money from the general PTO fund can be given to a charity.

Do not raise money for specific individuals (i.e. sick children). Instead, a scholarship might be given to an individual. Families in your school community who fall on hard times (such as a house fire) can be given a gift certificate for something that relates to education, not clothing, toys...

If students/teachers raise money for a charity and the PTO writes the check, the PTO must list it as a "special event" on their tax form and detail the amount raised, from whom, and that all of it was given away.

PTOs should not pay Stamford Public School teacher salaries under any circumstances. Money is to come from BOE funds. The BOE can be reimbursed by the PTO. This eliminates the need for PTOs to fill out 1099 forms for teachers. This only works if the teacher is a current Stamford Public School employee. To arrange for this contact, Hugh Murphy, (contact information on p. 19). This limits the PTOs liability.

The school system should pay for any regular after school programs, again, reimbursed by the PTO if necessary (unless covered by grant money). This limits the PTO's liability. Stamford Public Schools should be liable for workmen's compensation should a teacher be injured while working at an after school program. If the PTO pays the teacher, the PTO is liable.

If an after school program is using school facilities, it must be clarified as to who is responsible for the program for liability reasons.

PTOs are not employers. They should not be preparing 1099 forms. The PTO can pay "independent contractors," or one-time-only cultural performers who come to the school. If a PTO is directly paying a non-Stamford Public School teacher for services, if the teacher earns more than \$600 in a calendar year, the PTO must file a 1099. It is better to hire independent contractors who pay their own workman's comp. and taxes to avoid this situation.

Any grant moneys not used/left over, technically must be returned.



Budgets

Your operating budget should allocate money to support your mission. The mission statement of PTC and its member schools can be found at the front of this handbook.

A good budget includes income and expenses from the previous year as well as the budgeted amount and actual amount spent this year.

The PTO budget should be approved at a general PTO meeting in the spring or early fall. At each general PTO meeting, the current budget should be disclosed.

The budget of the PTO should reflect the mission of the PTO and list expenses that support the school's programs, enhances the school's programs and support the teachers. The PTO should not be paying for curricular programs or supplies that are a part of the Stamford Public Schools budget.

If an unforeseen expense comes up during the school year, the PTO (executive board only if less than \$2000) must vote on approval of funds and decide from which account to move the money or decide how to raise the additional money.

Keep track of expenses as they come up.

Make sure your PTO has some carryover money to spend at the beginning of the following year.

Do not end the year at a deficit. Either cut programs or add fundraisers to make up any difference in the actual budget.

Do not spend money in anticipation of a new fundraiser. The fundraiser might not perform as expected and then you'll be left owing money.

No school in Stamford should have a credit card. It is bad practice. It is also not advised to open a credit line with a vendor or merchant.

Money for teachers should be called a "gift" unless you want the teachers to have to give the PTO receipts for the way they spent the money.

If the PTO can afford it, consider purchasing software such as QuickBooks or Quicken to make bookkeeping easier.

Record Keeping

For any checks that are written, it is good practice to fill out a check request form detailing the date, purpose, recipient and budget line of the payment. (Sample form in handbook) This will also act as an additional receipt for payment. Actual receipts (or copies thereof) should be kept with the check request.

Checks should not be written to cash, always to a specific person



PTO 990 forms must be available for inspection by anyone at any time. They should be kept in a file cabinet at the school, not in someone's home. A PTO file cabinet should be set up to house PTO files at the school.

The only thing that may be kept confidential on the 990 form is the schedule of contributors. You do not have to disclose that unless it is a contributor making over \$5000.00 donation. Contributions over \$5000.00 must be disclosed.

There is no real definition of how much money a 501(c) (3) organization can carry over from year to year. A traditional rule of thumb is 3 months operating expenses. Our purpose is not to accumulate funds. Money carried over should be earmarked for a purpose, such as "future year's operating budget" or "playground."

Financial records must be kept for 7 years. Tax returns must be kept at the school indefinitely.

PTO's must show adequate records (receipts, assets, current and past budgets) to show they are using the funds that are being raised. They should be available at the school for inspection by anyone at any time.

Sponsorship

PTO's should not become sponsors of any other non-school organization such as scouts, neighborhood organizations or athletic leagues. You must refrain from being a sponsor or signing any documentation, for liability reasons, for any organization over which you do not have direct oversight.