



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.

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 member 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 your bank account and By-Laws conform.

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. (Please note that this policy is only for donations \$75 and over). 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, etc.) can be deducted by the contributor. It is up the contributor to determine the value of the item or service donated.



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 990EZ, 990 or 990-N (e-postcard) tax forms by the 15th day of the 5th month after the close of the fiscal year. For PTOs, that's 11/15, since the fiscal year ends on 6/30. PTOs with gross receipts equal to or below \$50,000 should fill out 990-N. "Gross receipts" means money that flows through your organization at any time—even if you don't keep all that money. So, if your school's biggest fundraiser grosses \$50,000, even though you only net \$25,500 because you send the rest of the money to the fundraiser company, you must file 990-N. PTOs with gross receipts less than \$200,000 must file form 990-EZ. PTOs with gross receipts of more than \$200,000 must file the 990 form.

It is very important for your organization to file the 990-N card, or the 990/990EZ 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.

In filling out your form, 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 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.

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. Please send a copy of your IRS Determination Letter with your EIN to the PTC Treasurer.

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.

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.

Teacher/Principal funds

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 (\$300-\$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.

Classroom supply money given to teachers should be modest and teachers must submit receipts.

Dues

All membership dues are listed as donations to maintain our 501(c)3 status.

Payments for buses/field trips

In order to minimize PTO liability, all buses for field trips should be ordered and paid for through the school purchasing and accounts payable system. All arrangements should be coordinated with the building principal (or designee such as the school secretary) and all orders encumbered through the district's purchasing system (H.T.E.) via a purchase order. If the PTO is paying for the trip, a check in the same amount should be sent to the SPS Finance Department, attention: Dave Hollywood, with the proper account number. The number starts with 019-39-2701-511-XX, ending with the last two digits where XX represents the two digit building code. The trip account will then receive the proper credit.

Booking trips with First Student is fine. They have an insurance certificate on file that protects the BOE and volunteers from liability.

You can make payments to other bus companies (i.e. DATTCO) 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 (naming the city of Stamford and SPS as additional insureds). Hugh Murphy, the Executive 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 in the form of an insurance certificate.

Do's and Don'ts

501(c)3 organizations cannot engage in any political campaign and cannot contribute to any candidate's campaign for office. This includes supporting a BOE candidate. If you give time to one candidate you must give time to all. Political lobbying is allowed as long as the lobbying is not a substantial part of the PTO's activities. Substantial is defined under the expenditure test and each PTO should have filed Form 5768 in order to make this election.



A PTO should be careful when making charitable contributions. Donations to a charity must be in furtherance of the mission. 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. 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 confirm that all of it donated.

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, etc.

PTOs should not pay Stamford Public School teacher salaries under any circumstances. The payment check should come from the BOE, although the PTO provides the actual funding. This eliminates the need for PTOs to fill out 1099 forms for SPS teachers and limits the PTO's liability. This includes special classes or event during the day and after school, as well as after-school programs not covered by grants or the BOE. SPS 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.

Because teacher payments for services rendered is considered taxable income to the teacher, all payments to the teachers should be done through the district's payroll system so that wages, deductions, and net pay are properly calculated and W-2's will be issued at year end. The PTO will then need to reimburse BOE for the cost of the payment. To arrange for the teacher payment, the PTO point person should contact, John Castellana, grants account analyst to establish an account for your school or program, (contact information in Part II of this handbook). Additionally, a check should be sent to John who will create a PTO account and notify the contact person of the account number. On a prompt basis, after the work is completed, a payment form should be completed and sent to the BOE HR department with the total of hours worked and the account code, and a check will be issued from Central Office. As a note, at some point the district may be using the automated Kronos system to record and pay the teachers which will eliminate the need to send the hours manually.

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 and 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, and 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. The budget of the PTO should reflect the mission of the PTO and list expenses that support the school's programs, enhance 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.



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. The current budget should be presented at each general PTO meeting. If an unforeseen expense comes up during the school year which is outside the approved budget, the PTO 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.

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 a bad practice. It is also not advised to open a credit line with a vendor or merchant.

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, company or organization.

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 information unless it is a contributor making over \$5,000.00 donation. Contributions over \$5,000.00 must be disclosed.

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.

There is no real definition of how much money a 501(c)3 organization can carry over from year to year, however our purpose is not to accumulate funds. Money carried over should be earmarked for a purpose.

Financial records must be kept for seven 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 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.