



Financial Workshop

Mandatory Financial Training **2016-2017**



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**A Leader's first job is to
protect the assets and the
reputation of PTA.**



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Training Objectives

- Board Responsibilities
- Review Protecting Non Profit Status
- Review Contribution Acknowledgements
- Review Forms



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PTA is a Business

- PTA is not a social club
- It must be run as a business
- It is accountable as a business
- You must comply with all local, city, county, state and federal regulations
- When it comes to the PTA finances you must rule with your head and not your heart



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Board Responsibilities



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Board Responsibilities

- As an incorporated organization, board members of a non-profit corporation owe important duties to the organization they serve.
- These duties are imposed by the courts and by state and federal statutes.
- A break of these duties may lead to personal liability, loss of tax-exempt status, or both.



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Fiduciary Duties

- Ultimate authority for managing the affairs of the organization is vested in the Board of Directors.
- The law imposes on Directors an obligation to act in the best interest of the organization.



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The Law Requires Directors to act:

- In good Faith;
- With the care an ordinary, prudent person, in a like position, would exercise under similar circumstances; and
- In a manner the Director reasonably believes to be in the best interests of the organization.



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Duty of Care

■ Attendance

- ☐ Directors must attend Board meetings.
- ☐ Directors who do not attend meetings are nevertheless bound by the actions taken at the meetings and will be held responsible for any actions.
- ☐ The act of failing to attend Board meetings may itself be deemed to be negligent behavior.



Duty of Care

■ Delegation vs Abdication

- ☐ A board must monitor those to whom it has delegated authority to make sure they are acting responsibly.
- ☐ Delegation does not relieve a board of liability.



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Duty of Loyalty

- Directors commit allegiance to the organization.
- Acknowledges that the best interest of organization must prevail over individual interest
- Actions and decisions must promote the organizations purpose and well-being rather than any private interest.



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Duty of Obedience

- Follow the organization's governing documents:
 - Articles of Incorporation
 - Bylaws
- Carry out the organization's Mission
- Ensure that the funds are used for lawful purposes



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Always remember:

It's not your Money !



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Protecting Non-Profit Status



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What Is An Exempt Organization

- An exempt organization is:
 - A trust, association, or corporation not organized for profit (i.e. Nonprofit) that is described in the Internal Revenue Code as exempt from Federal Income Tax.
- Exempt Status - 501(c)(3)



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Tax Exempt Status

- Must be
 - ☐ Organized and Operated for exempt purpose
- Benefits
 - ☐ Exempt from federal income tax
 - ☐ Tax-deductible contributions
 - ☐ Reduced postal rates



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Jeopardizing Tax Exempt Status

- **Inurement/private benefit** – prohibited and restricted
- **Lobbying** – activities must be insubstantial
- **Political** – absolutely prohibited
- **Unrelated Business Income** – must not be primary purpose
- **Failure to file necessary forms**



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Contribution Acknowledgments



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Contributions

- Donations to PTAs are Tax Deductible
- Quid Pro Quo
 - Contributions over \$75.00 with goods or services returned to donor require acknowledgement of allowable charitable deduction
 - Contributions over \$250.00 with no goods or services received require written acknowledgement
- Acknowledgment: PTA name, \$ amount, Date, Statement regarding goods and services



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Contributions -- 2

- Benefits valued at less than **\$10.20** for the year need not be stated in the acknowledgement
- A donor claiming a monetary charitable contribution deduction of any amount cannot take the income tax deduction unless he or she has a cancelled check, bank record or acknowledgement



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Forms, Forms, Forms



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Charitable Solicitation Act

- Tied to \$25,000.00 gross income
- Required To Register With Office of Secretary of State if gross income is \$25,000
- If <\$25,000 - Strongly urged to file Exempt Organization Fund-Raising Notice
- Required To Report Annually
 - Exempt Organization Fund-Raising Notice
 - Annual Update of Registration
- Graduated Annual Fee Determined By Receipts



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Charitable Solicitation Act -- 2

Annual Registration Fee

- IRS Form 990-EZ: add lines 1, 6(a), 6(b) on page 1. If the organization is a PTA, also add line 10(a)
- COF-85: add lines 1, 6(a), 7(a) on page 1. If the organization is a PTA, also add 8(a)
 - ☐ At least \$25,000 but less than \$50,001 - \$50
 - ☐ At least \$50,001 but less than \$75,001 - \$75
 - ☐ At least \$75,001 but less than \$100,001 - \$100
 - ☐ At least \$100,001 but less than \$500,001 - \$200
 - ☐ \$500,001 and above - \$300



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Charitable Solicitation Act -- 3

■ Registration Requirements

- ☐ Notarized Registration Statement – COR-92
- ☐ Current Copy of Articles of Incorporation or Bylaws
- ☐ IRS Determination Letter
- ☐ Signed copy of 990 or 990EZ or Maryland State Form COF-85
- ☐ Names and Addresses of Board of Directors
- ☐ All contracts with professional fundraisers
- ☐ Annual Fee



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Incorporation

- Advantage – Shields From Liability
- Disadvantage – Personal Property Return Must be Filed Annually



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Personal Property Return

- Required Of All Incorporated PTAs
- File by April 15th
- Late Penalties Apply (\$25.00 per month)
- Failure To File Results In Loss of Incorporation Charter
- Provides Annual Report of Corporate Officers, Directors and Related Information
- Provides Report of Business Personal Property with Depreciation
- Provides Annual Sales for the Calendar Year



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Insurance

- All PTA's Must Carry General Liability, Bonding, and Officers and Directors Insurance Through The State Mandated Program
- PTAs should attempt to:
 - Eliminate exposure to risk
 - Reduce the exposure to risk
 - Transfer the exposure to risk



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Advertising

- IRS – The Sale of Advertising In A Periodical Containing Editorial Material of An Exempt Organization Is Unrelated Business Income
- National PTA Acceptable – If In Accordance With Postal Regulations (<10% of total space devoted to ads)
- Does Not Jeopardize Objects and Nonprofit Status



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IRS Forms 990/990-EZ/990-N

- Return of Organization Exempt From State and Federal Income Tax
 - 990 – Gross Receipts Over \$200,000
 - 990-EZ – Gross Receipts \$50,000 to \$200,000
 - 990-N – Gross Receipts Normally Less Than \$50,000



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IRS Forms -- 2

- Filed By The 15th Day Of The 5th Month After The End Of The Fiscal Year (Nov. 15th)
- Fines For Late Filing (\$20 per day)
- Loss of Tax Exempt Status If Failure To File For 3 Consecutive Years
- Public Inspection Requirement (Fine: \$20 per day)
- Failure to Respond (Fine: \$10 per day)



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IRS Forms -- 3

- 990-EZ Return of Organization Exempt from Income Tax
 - ☐ Income Statement/Balance Sheet
 - ☐ Statement of Program Service Accomplishments
 - ☐ List of Officers and Directors for Year of Report
 - ☐ Copy of Significantly Changed Bylaws
 - ☐ Required Schedule A – Organizations Exempt Under 501c3 and Schedule O – Supplemental Information
 - ☐ Possible filing of Schedules B, C or G



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IRS Form -- 4

- 990-N Return of Organization Exempt From Income Tax
 - ☐ E-postcard
 - ☐ EIN and Tax Year
 - ☐ Organization's legal name and mailing address
 - ☐ DBA name required if not displayed
 - ☐ Name and address of Principal Officer – President
 - ☐ Confirmation that organization's annual gross receipts are normally \$50,000 or less



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IRS Forms -- 5

- 1099-MISC – Miscellaneous Income
 - ☐ Deadline – January 31st
 - ☐ Payment of \$600 in the Calendar Year
 - ☐ Generally for Services, Prizes, Awards and Other Income Payments
 - ☐ Not required If Paid To A Corporation but is for certain LLCs
 - ☐ Requires Form 1096 – Transmittal form for 1099-MISC due February 28th



Sales and Use Tax

- Must Pay Maryland Sales Tax On Purchases
- Blanket Certificate of Resale
- Sales Tax Exemptions are Available
- Non Profits are No Longer Required to Collect or Remit Maryland Sales Tax on fundraisers



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Unrelated Business Income

- Will Require PTA To Pay Income Tax If IRS Determines That:
 - ☐ Income is from a business
 - ☐ It is regularly carried on
 - ☐ And it is unrelated
 - ☐ Form 990T – Income over \$1,000



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Unrelated Business Income

- Could Lose Non Profit Status
- Remember The 3 to 1 Rule
- Exceptions
 - Activities are conducted only once per year
 - At least 85% of the work of the activities is conducted by volunteers
 - Activity consists of selling donated items



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Contact Information

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Thank you!

Your time and dedication in the
service of PTA is greatly
appreciated.



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