

Fundraising

The primary emphasis in PTA should be the promotion of the PTA Mission and Purposes of the PTA. The real working capital of a PTA lies in its members, not in its treasury. PTAs do not exist to raise money, but raise money to exist. 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 correlate with PTA priorities.

Planning for PTA fundraising activities should occur after the planning of the programs and projects for the school year. PTA does not exist to raise large amounts of money or supplement school finances. One well-planned fundraising event will usually raise the funds needed to fulfill the goals and objectives of the PTA for the year. Any funds generated by a PTA, including the local portion of dues, should be used for definite budgeted purposes that advance the PTA Purposes, such as projects and programs, that benefit children and families, promote parent-teacher cooperation, and enhance the school environment and curriculum. In addition, PTAs can work with community organizations to promote community-wide development projects. Leadership development through PTA conventions and conferences is also an appropriate and important use of PTA funds. Please use the PTA Event Checklist found in Appendix 2 to make sure all financial procedures are followed for PTA events.

Standards for PTA Fundraising

PTAs are often asked to finance programs and purchase needed equipment that tight school budgets cannot provide, 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. Is it something that taxes are to be used for? For example, tax revenue is already being collected to fund textbooks, salaries, computers, playground equipment, classroom materials, and so forth. PTA's role is to advocate for adequate and equitable funding for all public schools. 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 funding.

The framework for how a PTA should conduct its fundraising is determined by the policies of the National PTA organization and the government regulations for 501(c)(3) tax-exempt organizations. PTA fundraising should be carried out within the framework of PTA's noncommercial policy. This policy requires that the PTA not endorse any commercial entity nor engage in business activities unrelated to the Purposes of PTA. A general fundraising guideline is the 3-to-1 rule: for every fundraising activity, there should be at least three non-fundraising programs or projects aimed at helping parents or children. PTA fundraising activities must also comply with school district policies.

Policies and Regulations Affecting Fundraising

All PTA bylaws—national, state, council, and local—include the requirement to be noncommercial. PTA’s noncommercial policy prohibits the PTA from endorsing a commercial entity and from engaging in activities unrelated to the promotion of the Purposes of PTA. It also means that the name “PTA,” which is a registered service mark, cannot be used in advertising or promoting of the goods and services of a commercial entity. The noncommercial policy does not preclude corporate sponsorship; see page 47 for further information.

PTA policy is also very clear that children should never be exploited or used as fundraisers. Competitive, high-pressure selling of a product is not considered an appropriate activity for a child to be engaged in on behalf of PTA. Assemblies where children or youth are “hyped up” to go out and sell items so they can “earn” prizes are discouraged. Children are never to go door-to-door selling items for PTA.

As 501(c)(3) organizations, 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. 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. When considering any fundraising activity, therefore, the PTA should ask, “Will this activity adversely affect our tax-exempt status?” Further, the revenue from some fundraising activities, if not structured appropriately, may be considered to the “unrelated business income” by the Internal Revenue Service (IRS). “Unrelated business income” is taxable. (See page 40 for more information.)

School districts may have established policies and procedures for organizations to follow when doing fundraising on school property and/or using staff and students, including limits on the amount of fundraising allowed and required approval processes. PTAs should be familiar with district policy and work cooperatively with school personnel. Your Region Director is the best resource for knowing the school district’s fundraising policies.

Selection of an Appropriate Fundraiser

If the fundraising event is to reflect the high principals of the association, it will have educational, social, or recreational value in itself. One well-planned fundraising event will usually raise the funds needed to fulfill the goals and objectives of the PTA for the year. The following questions should be considered in selecting and planning a fundraiser 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 preclude the exploitation of 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 needed to meet the PTA’s goals?
- Has a budget of required expenditures (e.g., cost of materials and publicity for the event) been provided?
- Are special permits, such as food handling permits, required?
- Are the PTA and its members protected through sufficient insurance coverage or otherwise?
- Are contracts required? If so, has the President signed contracts with vendors and/or manufacturers? (The President is the only person who can sign a contract binding the PTA, although the principal may make recommendations to the executive committee regarding contracts and their appropriateness)

Corporate Sponsorship

Corporate sponsorship is a funding mechanism in which a commercial entity supports a charitable or educational organization (such as a PTA) with cash, products, or services in exchange for acknowledgment or recognition of the sponsor's support. Sponsorships can relate to a specific event or to the PTA as a whole.

Corporate sponsorship is an appropriate means of funding projects and programs that promote the objectives of the PTA. Corporate sponsorship stands in contrast to endorsement, in which the PTA extols the virtues of a company's products or services. Endorsement activities are not appropriate for PTAs based on PTA's noncommercial policy.

A special provision in the Internal Revenue Code provides that 501(c)(3) organizations are exempt from paying federal income taxes on income from corporate sponsorships as long as IRS guidelines are followed. According to IRS Publication 598, qualified sponsorship payments are payments "made by a person engaged in a trade or business for which the person will receive no substantial return benefit other than the use or acknowledgment of the name, logo, or product lines in connection with the organization's activities."

As a general rule, the PTA may thank the sponsor for its support. The thank-you may be in writing or on posters, banners, or other appropriate media. It must be limited to an expression of thanks and can list identifying information of the sponsor, including name, address, phone number, website address, and logo. The sponsor's product(s) can also be distributed as part of the acknowledgment.

"Use or acknowledgment" does not include advertising, which includes the following:

- Qualitative or comparative language (such as "this is the best")
- Price information or other indications of savings or value
- Endorsement
- Other inducement to purchase, sell, or use a sponsor's products or services

Sponsorship payments that constitute advertising will be subject to federal income tax. On the other hand, qualified sponsorship payments are considered to be charitable donations, and there is no limit to the amount that can be received by the PTA.

Charitable Solicitations Act

In Utah, under the Charitable Solicitations Act, charitable organizations are required to be registered with the Utah Division of Consumer Protection before soliciting charitable donations. "Charitable solicitation" means any request, direct or indirect, for money on the representation that it will be used for a charitable purpose. (Additional information about the Charitable Solicitations Act can be found at consumerprotection.utah.gov/registrations/charities.html.)

The law provides an exemption from the registration requirement for a PTA organized within and authorized by a school in support of the operations or extracurricular activities of the school. A one-time, no-fee notice of claim of exemption must be filed with the Utah Division of Consumer Protection. A list of organizations that have filed such a notice can be found on the Division's website at www.consumerprotection.utah.gov.

A PTA that has not already filed a notice of claim of exemption should do so immediately; penalties could be assessed on a PTA that is not in compliance with the law. Utah PTA office staff can assist a PTA in completing a notice of claim of exemption. They can be contacted at 801-261-3100 or kids@utahpta.org.

Commercial Co-Venturing

Commercial co-venturing is a form of fundraising in which money is paid to a business for a product or service and a portion of that money is forwarded, as a gift, to the PTA. Given PTA's noncommercial policy, the only appropriate role in any such venture is a passive one. Active promotion of the business' products or services by the PTA and its members would violate this policy. Additionally, such fundraising activities should be structured to protect PTA's tax-exempt status and avoid unrelated business income. The funds received by PTAs from such agreements should be accounted for as contributions on their financial records.

Games of Chance

Under Utah law, it is illegal to operate a scheme under which a person gives something of value in order to obtain a chance to get something of value. A raffle which requires purchase of a ticket is, therefore, illegal. A prize drawing may be conducted, however, if one of the following conditions is met:

- Payments are considered to be donations, and anyone can have a ticket whether a donation is made or not; or
- The payment is for an article with a value reasonably related to the amount of the required payment, and the ticket is given to the purchaser without additional charge.

Accounting for Funds

Because the Treasurer's duties are time-consuming and require attention to detail, he or she will likely not have a great deal of time to actively participate in the mechanics of PTA fundraisers. The involvement of the Treasurer in fundraising activities should focus on ensuring compliance with IRS regulations and PTA and district policies and on maintaining copies of contracts and other documentation. Additionally, as with other financial transactions of the PTA, the Treasurer is required to keep complete financial records of income and expenditures associated with the fundraiser:

- At the fundraising event or when the funds are received, the Treasurer, the chair of the event, and a third person should count the monies received. All three should sign a money counting sheet (see sample in Appendix 2) verifying the amount; this form should be attached to a funds received form (see sample in Appendix 2).
- All monies received should be deposited the same day. Arrangements should be made for the bank's night depository if the deposit must be made after banking hours. Funds should never be deposited in a personal bank account or in the account of another organization (e.g., the school). Funds must never be taken home or left at the school overnight. Preparing deposits periodically throughout a lengthy event, such as a book fair, will minimize the time required at the conclusion of the event.

- When change is needed for a cash box, a check request form (see sample in Appendix 2) should be submitted by the event chair. The Treasurer issues a check to the individual for the amount requested. The check should not be made payable to cash. The amount of the money in the cash box should be recorded on a signed form (see sample in Appendix 2), which should be kept in the cash box until the fundraising event is completed. The beginning cash balance is included in the final counting of the money from the event and deposited back into the PTA checking account. The beginning cash balance should not be included in the computation of profits from the event.
- Itemized invoices, sales receipts, etc. for expenses related to the fundraising event are given to the Treasurer for payment by check. No disbursements should be made from cash collected at the event.
- Following the fundraising event, the Treasurer, in conjunction with the chair, should prepare a written financial report of income and expenses associated with the event and present it to the board.

More information about receipt and disbursement of funds can be found on pages 30-31.