

Budget Committee and Timeline

Committee:

- The Budget Committee is a function of next year's board.
- Look in your Standing Rules to see if there are guidelines.
- The Budget Committee meeting is organized/called by the incoming president and is chaired by the incoming treasurer.
- It is helpful if the current president asks the current board for recommendations for next year's budget.

Time Line:

- After the PTA/PTSA election, the incoming president and treasurer call a meeting of the budget committee.
This should be done as soon as possible.
- The *proposed budget* is voted on by the incoming board at their first meeting.
- The *proposed budget* will be voted on by the association at the last association meeting of the year, usually in May or June.
- Once the proposed budget is approved by the association, the incoming treasurer should release funds for budget categories where expenses may occur over the summer and after the start of school (e.g., registration, First Day Coffee, hospitality supplies, August/September board and association meeting hospitality, board/president expenses for photocopying or postage, June training at 33rd district). DO NOT RELEASE THE ENTIRE BUDGET.
- Over the summer the budget can be fine-tuned and the final budget created. This is called "the budget" as opposed to the "proposed budget" that you voted on in May/June.
- The budget (final version) is voted in at your first executive board meeting in August/September.
- The budget (final version) MUST be approved/adopted at your first association meeting of the new school year, usually in August or September.

Excerpts from the California State PTA
Toolkit, Finance Section.
www.capta.org/toolkit

Budget

The budget is a financial representation of the goals, activities and operations a PTA expects to conduct during a specified time period. The budget estimates income and expenses for the year and must be presented to the association for approval and recorded in the association minutes. The budget must coincide with the term of office, which is usually also the association's fiscal year.

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The budget committee, which is appointed by the president (or president-elect if the budget is being developed for the new term in advance of taking office), has the responsibility for developing the annual budget. The treasurer (or treasurer-elect if the budget is being developed for the new term in advance of taking office) is designated as the committee chairman. The budget committee may include financial officers, the principal or other designated representative, the president (ex officio), and others. The committee cannot develop the budget until the board-elect has determined the goals and programs for the upcoming year. The executive board should have surveyed the school community before developing the goals and programs.

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Approving the Budget

In the spring, the board-elect develops the budget and present the proposed budget for adoption to the current executive board and the membership at the last PTA meeting of the year. The association approves the release of any funds required prior to the next association meeting in the fall. This allows the board elect the ability to cover routine summer expenses as outlined in the bylaws.

The PTA shall not assume any financial obligation in any one term of office that will be carried over into the succeeding term. The proposed budget must be presented to and voted upon by the executive board and recommended for adoption at the first association meeting each year. After the budget is adopted by the association, it should be followed closely in all financial transactions.

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• Budget Guidelines

If you want more information or are uncertain about the rules, go to the CAPTA.org website. Click on PTA Leaders → Running Your PTA → Toolkit → arrow down and click on Toolkit, then click on the finance section. Budgeting is on page F21 and fundraising is immediately after.

The main rule (this is a rule): **You must have a balanced budget.** Your income and expenses must be equal.

- A good starting point is determining what **programs** from the current school year you would like to continue. Yellow/Red Ribbon, Reflections, H.S.A., assemblies, field trips, and parent education are examples.
- **Review expenses related to those programs**
 - Some programs have expenses based on participation like Reflections, so if you plan on upping your game on some programs, don't forget to increase expenses.
 - Hospitality (Food/Beverage expense) served with a program. If you have hospitality with a program - for instance: registration - put that under the program budget, not under the hospitality or support service budget.
- **Determine the level of other expenses** like insurance, officers' expenses, PTA training/workshop attendance (increase a little if you have a new treasurer, president, recording secretary who might want to attend some training), photocopying, postage, council/^{Thirty-Third} 33rd District expenses. All these should be separate line items.
 - DON'T increase what you *charge* for membership (your membership dues) right now. What you charge for dues is listed in your bylaws and you cannot charge more without doing a bylaws change with California State PTA.
 - Hospitality: the total of your hospitality budget should not exceed 5% of your total budget. This means the hospitality for your meetings and teacher appreciation or other hospitality that you may provide are not part of a program.
 - Legislative Activities also have a 5% rule.

Mileage: you must check your standing rules to see if you have any guidelines for mileage reimbursement. State Convention will be in Ontario in 2018 and delegates may drive.

Thirty Third District PTA March 2017

Standards for PTA Fundraising

Fundraising is the method of raising money to finance PTA programs and projects. The fundraising project must support the goals of PTA and be related to the educational, charitable, and philanthropic purposes as a tax-exempt organization. When planning the year's activities, PTAs should use the 3-to-1 rule: There should be at least three non-fundraising programs aimed at helping parents or children or advocating for school improvements, for every one fundraiser.

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. If the fundraising project is ongoing (e.g. e-scrip), it must be approved each year by the association membership.

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Hospitality

PTAs must maintain their nonprofit status as governed by the Internal Revenue Service Code section 501(c)(3). Within the language of the code, the IRS does permit expenses that are not directly related to the primary purpose of the PTA if the expenses are not of a significant amount. "Not of a significant amount" is defined by the IRS as an amount that does not exceed 5 percent of the nonprofit association's annual budget. Five percent is the recommended limit to be used as a guideline for PTAs for all hospitality expenses, including staff or volunteer appreciation.

The cost of meals or beverages provided for volunteers during the course of their work; e.g., while processing fundraiser orders or counting money after an evening program, are not considered to be hospitality. Such expenses must be budgeted and approved by the association in advance. The expenditures are accounted for as a cost of doing the program or fundraiser on which they are working; e.g., wrapping paper sales or a fall festival.

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Legislative Activities

A PTA operating as a 501(c)(3) may not devote more than an insubstantial part of its activities and budget to influence legislation. The "insubstantial part" is not clearly defined, but is often interpreted to be no more than 5 percent of an organization's annual operating expenditures.

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- **How are you going to pay for this?** Remember the 3 to 1 rule. You should have 3 programs for every 1 fundraiser. This rule is to ensure that you are focusing on programs and not on raising funds.
 - Take a minute to go onto the CAPTA.org website under finance and click on fundraising. There is valuable information on the difference between fundraising and sponsorship.
- Keep a placeholder line item for things that may be expenses later on in the year or in future years.
 - Gifting to the School District should be a line item with a ZERO balance. As you gift, you will put your gifting expense on this line but you DO NOT BUDGET for gifting. (This doesn't mean personal gifts, as those are not allowed. This is giving to the school or to other non profits.)
- **DO NOT include in the budget** (things that PTAs cannot pay for):
 - Gifts (personal gifts to teachers, parents, board members, staff, custodians, etc). You can facilitate the collection of money, but those funds cannot go into the PTA bank account.
 - Flowers as gifts (even for bereavement). See rule above.
 - You can use flowers as decorations but you cannot give flowers as gifts.
 - Gift Cards (these would be considered personal gifts), even if you are buying it for the office or for teachers to pay for supplies. The IRS requires itemized receipts.
 - State PTA recommends that you solicit donations of gift cards if you want to use them as gifts or as incentives for programs/fund raisers. You should not use PTA funds to pay for them.

OTHER STUFF

- You don't have to put your carryover in your budget if you carry over the same amount each year.
- You can put in an unallocated reserve to cover any unexpected expenses.
- If you asked for money for specific things like disaster funds, library funds, supplies, etc. these MUST be kept separately and any leftover at the end of the year CANNOT be swept into your general fund. You must keep a separate accounting for these funds on a year to year basis.

Thirty Third District PTA March 2017

Personal Gifts

PTA funds should not be used to purchase personal gifts, equipment for staff lounges and lunchrooms or for furnishings for principals' offices. Personal gifts include gift cards and gifts for baby showers, Secretary's Day, bereavements, weddings, or birthdays. If the membership determines that such items are necessary, the individual members can make personal donations to purchase the designated items. These donations should not be commingled with PTA funds.

Staff Appreciation

The California State PTA understands the importance of staff appreciation in building a stronger home-to-school connection. PTA resources may be used for this type of expense.

Acceptable expenditures may include a staff lunch as long as the expenses follow the above guidelines and the expenses are approved by the membership.

Volunteer Appreciation

A simple and appropriate way to thank volunteers for their time and effort supporting the PTA is to plan and budget for a volunteer appreciation event near the end of the school year. Invite all volunteers who helped with PTA activities and programs during the year. The PTA may present each volunteer with a certificate of recognition. If the PTA wishes to reward volunteers with personal gifts, the association may vote to do so and seek out donations to cover those items. Alternatively, officers or other members may make donations to pay for such items. *Finance Toolkit page F30 – Nov. 2016*

Unallocated Reserve: Unallocated reserve funds represent the amount remaining after making allocations for budgeted programs and activities and may be used to cover any unexpected or unplanned expenses in the current fiscal year with approval of the association. The budget should be amended to reflect funds transferred from Unallocated Reserves to other expense categories.

Restricted Reserve: In planning the budget, it is permissible for PTAs to have a savings account to hold funds for more than one year for the following reasons:

- Efficient management of restricted funds;
- A PTA program requires large donation to the school and the school district requires advance notice if the PTA cannot continue to fund the activity; i.e. computer equipment or teacher aide salary; and
- Monies to finance long-term or unexpected but approved projects or programs, i.e., playground project.

As a guide, the savings account reserve should not exceed one-half of the association's budget for an average year. *Finance Toolkit page F21 – Nov. 2016*

Budgeting

The budget is a financial representation of the goals, activities and operations a PTA expects to conduct during a specified time period. The budget estimates income and expenses for the year and must be presented to the association for approval and recorded in the association minutes. The budget must coincide with the term of office, which is usually also the association's fiscal year.

Developing the Budget

The budget committee, which is appointed by the president (or president-elect if the budget is being developed for the new term in advance of taking office), has the responsibility for developing the annual budget. The treasurer (or treasurer-elect if the budget is being developed for the new term in advance of taking office) is designated as the committee chairman. The budget committee may include financial officers, the principal or other designated representative, the president (ex officio), and others. The committee cannot develop the budget until the board-elect has determined the goals and programs for the upcoming year. The executive board should have surveyed the school community before developing the goals and programs. Once the goals and priorities are established, the committee should:

- Know the goals the association is trying to achieve for the year and plan finances accordingly.
- Invite board members to submit suggestions.
- Review the program(s) proposed by the program committee, including detailed expense projections.
- Review past budgets, income and expenditures.
- Estimate probable income from all sources.
- Balance probable income with probable expenses.
- Determine the amount of carry-over funds to set aside to begin operations at the beginning of the subsequent PTA fiscal year, prior to the onset of fundraising activities.
- Unallocated Reserve funds represent the amount remaining after making allocations for budgeted programs and activities and may be used to cover any unexpected or unplanned expenses in the current fiscal year.

Recommended Budget Line Items

When developing a PTA budget, consider including the following line items:

Carry-over Funds: Carry-over funds represent the amount which is set aside to begin operations at the beginning of the next PTA fiscal year, prior to the onset of fundraising activities. To calculate the amount of this reserve, review the prior year's Annual Financial Report to determine which operation or program expenses require funding during transition, and estimate costs for these items in the new fiscal year.

Convention: The annual California State PTA convention is usually held at the end of April or the first part of May. The unit should budget enough money to cover the cost of registration, hotel room, transportation and food for the allowed number of delegates based on the unit's membership (Attending Conventions and Conferences, Running Your PTA Chapter).

Donations: PTAs may ask community supporters to donate funds for a specific program.

Fundraisers: Fundraising income is the gross income from fundraisers. List each fundraiser individually. The expenses for conducting each fundraiser should be listed under Expenses individually by fundraiser.

Gross Income: This includes the total amount of income for the year, excluding council, district, State, and National PTA portions of the per capita dues and freewill offerings.

Insurance: Participation in the California State PTA insurance program is required of all PTAs in California. Budget an amount that is similar to the actual expense from the previous year's premium. Units are notified of the premium amounts by October 1. The premium must be forwarded through PTA channels to be received in the California State PTA office by December 20, or a late fee of \$25 will be assessed by the California State PTA.

Membership Dues: Each association determines its own membership dues, but a portion of each membership must be forwarded through channels. The forwarded funds are listed as "Funds Not Belonging to the Unit." The budget should only reflect the amount of dues the unit retains as income.

Membership Envelopes: The purchase or printing of membership envelopes is listed as an expense.

Reimbursable Expenses: PTA should reimburse executive board members for any approved out-of-pocket expenses. PTA funds may not be used for personal expenses, gifts, personal acknowledgments, or personal use items.

Appropriate out-of-pocket expenses include photocopies, office supplies, etc. Unit, council and district PTAs should budget for out-of-pocket expenses and ensure the budget is shared equitably among officers/chairmen in accordance with job responsibilities. Members should be reimbursed upon submission of a signed payment authorization/request for reimbursement form. Receipts must be submitted for all reimbursable expenses. Unit, council and district PTAs may not budget for an officer's allowance. The IRS considers an allowance as miscellaneous income that must be declared by the recipient as such and will be taxed accordingly.