

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](#)).

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 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.

Staff/Volunteer Appreciation: PTA resources may be used for hospitality for staff/volunteer appreciation as long as it does not represent 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 organization's annual budget (see [Staff Appreciation](#)). PTA funds cannot be used to purchase personal gifts for staff or volunteers, such as gift cards.

Training/Workshops: Budget funds to send executive board members to council, PTA district, and California State PTA workshops/meetings.

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.

Funds Not Belonging to the Unit

Council, district, State, and National PTA portions of membership dues and the Founders Day freewill offering are not a part of the unit's funds to be used for expenses. They should not be included in the annual budget as receipts for budget planning purposes. They also are not included in the gross receipts when reporting to the IRS ([Gross Receipts](#)). These funds can be paid without the authorization of the membership. Such funds should be forwarded through channels immediately. Council or district PTA remittance forms must be issued to track ensure proper allocation of funds from the unit.

All disbursement of funds not belonging to the unit must be recorded in the next treasurer's report and payment reported to the association. Council and district PTAs set their own dates far enough in advance of California State PTA due dates to have sufficient time for such pass-through funds to be received by the California State PTA office ([Budget Sample](#)).

Approving the Budget

In the spring, the board-elect develops the budget and presents 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. Adoption of the budget does not authorize the expenditure of the funds.

Amending the Budget

If adjustments are needed, the budget can be amended by a two-thirds vote of the association. It is recommended that the treasurer provide the executive board with a budget-to-actual comparison report quarterly, but at least midterm.

Protecting PTA Tax Exemption

PTAs are exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. To retain the tax-exempt status, PTAs must pay attention that fundraising does not become the primary focus. All PTAs function under the exempt status of California State PTA and National PTA. An individual unit can have an effect on the entire association. Disregarding the prohibition against substantial commercial activities could result in having to pay tax or a tax penalty and/or loss of tax-exempt status by the IRS.

Most PTA fundraising activities are exempt from federal income taxes, because a majority of the work performed at the unit level is conducted by volunteers and donated merchandise is sold.