

PTO TODAY[®]

STARTUP TOOLKIT



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About This Toolkit

The goal of this guide is to assist parent group leaders as they perform the many tasks of organizing a parent group, whether it's filling out paperwork, filing applications, gathering information, or creating legal documents. This toolkit was written for school parent group leaders by the PTO Today content team. Contributors include Cate Coulacos Prato, Christy Forhan, Sandra Pfau Englund, Craig Bystrynski, and Lani Harac. While this document walks you through several legal processes, it is not intended as legal advice. We welcome feedback on this and all PTO Today publications. Please send your thoughts to editor@ptotoday.com.

About PTO Today

PTO Today provides information and services to help parent group leaders run their groups more efficiently and serve their schools more effectively. It's our mission to see effective and enthusiastic parent groups at every school, and we know that supporting volunteer leaders is the best way to reach that goal. Our services include:

- [PTO Today magazine](#), published six times a year and sent free to every K-8 parent-teacher group in the country.
- [PTOtoday.com](#), with thousands of pages of information and resources.
- An active [Facebook group for parent group leaders and volunteers](#); join this closed group to network with other volunteers like you.
- [School Family Nights](#), our exclusive involvement program; planning kits are available free to parent group leaders.
- [PTO Today Live Expos](#), regional events providing access to parent group products and services. There is simply no other event like it anywhere in the country.
- PTO resources like this toolkit. We offer [expert guides on key topics](#), a parent group hotline, [insurance discounts](#), and more through [PTO Today Plus](#) and our [online store](#).

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Contents

4 CHAPTER 1: **Getting Started**

- How This Toolkit Is Organized
- A Note About Switching From PTA to PTO
- When To Seek Professional Help
- Should We Go For It?

8 CHAPTER 2: **Obtaining an EIN**

- Getting an EIN Online

11 CHAPTER 3: **Your Bylaws**

- Bylaws, Section by Section
- Final Steps

25 CHAPTER 4: **Incorporation: Becoming a Legal Entity**

- Incorporation, Step by Step
- What Are Articles of Incorporation?

30 CHAPTER 5: **Applying for Tax-Exempt Status Using IRS Form 1023-EZ**

- Why Become an Official 501(c)(3) Organization?
- How Can Your Group Become Official?
- Form 1023-EZ Eligibility Worksheet
- Registering on Pay.gov
- Form 1023-EZ, Line by Line
- Approval

36 CHAPTER 6: **Financial First Steps**

- Signing the Checks
- Opening a Bank Account
- Keeping the Books
- Financial Next Steps:
 - Obtaining Licenses and Permits
 - Getting Insurance

39 APPENDIX A: **Are You Covered?**

- Do We Really Need Insurance?
- Which Policies Should We Purchase?
- The PTO Today Plus Advantage

43 APPENDIX B: **Applying for Tax-Exempt Status Using IRS Form 1023**

- Form 1023, Line by Line
- Schedules (Additional Forms)
- Form 1023 Checklist
- Attachments
- Submitting Your Application
- Approval



Chapter 1:

Getting Started

Since you're reading this guide, you're likely in one of three situations:

- You're starting a new group from scratch.
- Your group has been a PTA and you're making the switch to PTO.
- You've had an active parent group, but you've been operating quite informally.

The organizational challenge is really the same in all three cases:

- 1. You need a group of parents committed to getting an independent parent group organized.** Finding that commitment and enthusiasm is well more than half the battle.
- 2. Once you have that group of parents, hold an organizational meeting.** You need to settle on the basic structure of the group:
 - How many officers will you have?
 - What titles will they have?
 - What will your dues policy be?
 - Who will be eligible to join?
 - What will your mission be?

Many of these questions are discussed in greater detail later in this toolkit, primarily in the chapter on bylaws (p. 11). But you'll need some general agreement on direction and broad policies before jumping into writing your bylaws and filing incorporation paperwork.

How This Toolkit Is Organized

A lot of groups struggle with the chicken-or-egg question of how to make any decisions before the bylaws or organizational structure of the group are in place. There is no perfect answer—there are many different ways to organize your parent group.

What you'll find in this toolkit is a step-by-step guide based on what we believe are best practices for the typical PTO. These steps are often intertwined—bylaws are required to obtain tax-exempt status, for example. We've tried to make those connections clear, but we've also tried to write each section as a stand-alone resource.

Whatever course you follow, if you have an enthusiastic group of supporters, your best bet is to start helping the kids as soon as you can (organize some simple first events or activities) and to take care of the legal details at the same time, in the background.

There are a handful of steps to take that will begin to form the basic foundation for your group. Two of these you can start tackling immediately; the last two can follow later:

1. Get an employer identification number from the IRS (Chapter 2)
2. Write bylaws (Chapter 3)
3. Incorporate your group (Chapter 4)
4. Apply for tax-exempt status from the IRS (Chapter 5)

Beyond that, the article [“How To Start a PTO”](#) walks you through the basic process of forming a strong, well-rounded group. It also includes links to other resources on PTOtoday.com that will help make the process easier.

In addition, we have other toolkits that cover many of the key topics of running a successful parent group:

- [Leader's Toolkit](#) (written especially for presidents and new board members)
- [Parent Involvement Toolkit](#)
- [Secretary's Toolkit](#)
- [Treasurer's Toolkit](#)

Each of these toolkits, including all related files, is available for purchase; Plus member groups may also download all toolkits and materials free from the File Exchange on PTOtoday.com. [Learn more about Plus.](#)

A Note About Switching From PTA to PTO

While the process for starting a PTO is no different for a brand-new parent group than for a parent group making the PTA-to-PTO switch, there is an extra step involved for the switchers. Those groups need to disband an existing parent group (their PTA) while also forming a new legal entity (the PTO).

To disband your PTA, refer to the procedures in your existing PTA bylaws; each state PTA has slightly different disbanding requirements. In general, it helps to spend down your PTA accounts to near zero before you formally disband. Doing so will help avoid conflicts over who these funds belong to: the state PTA or your local group.

After that, most state PTA bylaws require that you announce a meeting a specific number of days in advance and—after discussion—vote on whether to disband. The disbanding vote usually needs to pass by a 60 percent majority or 66 percent supermajority. In a few states, bylaws require that you invite a state PTA representative to your disbanding meeting and allow that person floor time to speak. This can often lead to testy moments. If your bylaws don't specifically require that kind of visit, then you aren't required to allow it.

If you do have a speaker from the PTA, you may limit the amount of time she's allowed to speak, just as you would for any other discussion.

We've heard from some former PTA groups that PTA officials made the disbanding process seem difficult and that the relationship between the disbanding unit and the state PTA became confrontational. Remember that you only need to follow your bylaws. Seventy percent of parent groups in the country are independent PTOs, so you aren't making a radical or unusual move. Once the dust clears, your parent group will still be wonderful. And it's all right to start the PTO process while your PTA is still winding down. In fact, this can be a smart move as it can help make the transition more seamless.

Learn more in the articles [“Switching From PTA to PTO”](#) and [“PTO vs. PTA: What's the Difference?”](#) on PTOtoday.com.

When To Seek Professional Legal Help

While this guide is designed to help you tackle all of these legal processes yourself without an attorney, it isn't intended as legal advice. You can write bylaws, file incorporation papers, and apply for 501(c)(3) status yourself, and many groups do so on their own. But every group is different.

If you have complicating factors or need specific legal advice, please seek the counsel of a professional. The same holds true for seeking out other professionals who might be of service. If your finances are particularly complicated, a professional accountant can be helpful in setting up your books. We'll provide the best advice we've gleaned from our experts. But when in doubt, consulting your own experts is a smart solution.

Should We Go for It?

Many parents enjoy the volunteer work and camaraderie that goes along with getting involved. But few parents join a parent group to write bylaws, file paperwork with the IRS, or research insurance policy options. The result is that many groups exist without the benefits of incorporation, federal tax-exempt status, or even adequate bylaws. That's too bad because having those details in place creates a solid foundation, one that provides benefits now and also helps your group avoid problems down the road.

If you're not sure whether to jump into the organizing process, our advice is: Do it. Parent group leaders who have completed the steps report back to us that the work wasn't as difficult as they'd feared. And once you're done, you'll have bylaws, officers, tax-exempt status, organized finances, and insurance. The time for the real work of your PTO—having fun, building the school community, and enhancing your children's education—will be upon you.

Let us know how the process goes. We'd love your help in making this guide even more effective! If you have feedback, email it to editor@ptotoday.com.

At PTO Today, we never close anything we do without thanking parent volunteers for their great work. Thank you! You're doing more than you know to make school special for kids. We hope this guide will help. 🌟



Chapter 2:

Obtaining an EIN

Once you've decided to form a new parent organization, you should get an employer identification number (EIN) from the IRS. An EIN is the equivalent of a social security number, but for a business. You'll need an EIN to open a bank account for your PTO. Having your own EIN identifies your organization as a legal entity in the eyes of the IRS, even though it's unlikely that your PTO will hire any employees.

Getting an EIN is a free, simple process that only takes a few minutes, and you'll receive your group's EIN immediately upon completion.

You can do it online or over the phone. The IRS page [“How To Apply for an EIN”](#) lists several ways to do so. The IRS recommends completing the application online via the IRS website.

There is no fee if you apply directly with the IRS, and you don't need to pay anyone to apply for your group's EIN on your behalf.

Once you have your EIN, you're on your way. You don't need to put your goal of helping the school and children on hold while you work through the rest of the startup steps. Your group can open its first bank account and even get moving on some traditional, valuable PTO activities. (See the section on financial first steps, p. 36, for basic financial advice and some tips on getting started with activities.)

You can also begin the second step of the startup process: incorporation (Chapter 3). While not every group incorporates, we strongly advise you to do so. Follow our step-by-step guide and you'll have your group incorporated in no time.

Note: In several states, your filing fees for incorporating and other licensing needs must be paid from an organizational checking account—just one more reason getting the EIN is a good first step.

Getting an EIN Online

The easiest and fastest way to get your EIN is to use the IRS's Internet EIN application system. You don't need to fill out any forms in advance. The system will walk you through a series of questions that you answer right on screen. At the end of the session, you're issued your group's EIN in the form of a PDF document, which you should print for your group's permanent files.

You can also download the traditional paper application, Form SS-4, and file by mail or fax, but the online system is much more efficient. Here are the steps you'll go through to complete the online application.

What type of legal structure is applying for an EIN?: Select the last bubble, "View Additional Types...."

Next screen: Select "PTA/PTO or School Organization."

Next screen: Confirm you're a PTA/PTO.

Next screen: Provide the name and social security number of the Responsible Party (see p. 10 for more on what this means).

Next screen: Provide the address of the Responsible Party.

Even if you use the personal address of your Responsible Party as the business address, **consider using the school's address as the mailing address.** You want future IRS mailings to be received by the school office staff, not lost in a pile on someone's kitchen counter.

Next screen: Verify the physical location (accept the database version of your address, which matches official U.S. Postal Service regulations).

Next screen: Enter the legal name of your parent group, plus the county, state, and date/year that your group started.

Next screen: Answer five questions. Most PTOs will answer "no" for all.

Next screen: Select "Other" to indicate what your group does.

Next screen: Select "Organization."

Next screen: Select "Other" and enter a short description (up to 50 characters) of what your PTO does. One option could be "Support school with enrichment and fundraising."

Next screen: Select that you'd like to receive your EIN confirmation online, by PDF. Print the PDF and also save a copy in your group's digital files. It's also a good idea to file a copy with your school principal.

That's it! Really easy, really fast.

More information about the Responsible Party: The IRS requires that you enter the contact information, including social security number, for your Responsible Party. This person should be someone who has authority to manage or direct the organization, including its assets. Some groups use the current president or treasurer. **The IRS will also accept an organization as the Responsible Party.** If your school approves, then the school and its own EIN can be used as the Responsible Party on the PTO's application.

The IRS imposed this security measure to discourage dummy corporations. Being the Responsible Party does not necessarily make you accountable for the actions of the group.



BEST PRACTICES

On all forms referenced in this guide, we strongly recommend that you **use your school address and a school phone number as your main points of contact.** Because PTO leaders change so frequently, your group will be at risk of missing important mailings or messages should you decide to use personal contact information on your form.

Use the PTO's EIN to open the PTO's bank account. Your group most likely will be handling large sums of money during its life. Using your personal social security number could have unintended legal, tax, and even credit implications for you. And if the account uses the school's EIN, then the funds in the account could reasonably be considered the school's funds. This could significantly limit your group's autonomy.

Chapter 3:

Your Bylaws

Bylaws define the characteristics of an organization and how it operates. They can be sparse or detailed, as best fits your group's needs, and they can be amended as your group evolves. But you'll save time and trouble later if you think carefully now about how you want your organization to run.

Writing your bylaws is often a process that occurs simultaneously with drafting the articles of incorporation (Chapter 4). When writing bylaws, it's important to understand your articles of incorporation because the articles are a legal document superseding all other documents of the organization, including bylaws. Therefore, you shouldn't put anything into your bylaws that conflicts with your articles of incorporation. Even if you're not planning to incorporate, it makes good sense to write bylaws with articles of incorporation in mind. That way, if you do decide to incorporate down the road, the process will be easier.

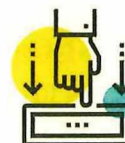
Bylaws are typically drafted by a committee. The bylaws committee is usually made up of the officers or, if your group is brand-new, the leaders of your organizational effort.

If your bylaws spell out your group's rules, such as what officers you will have, the rules for elections, and when meetings are held, how do you write and adopt bylaws in the first place?

The standard procedure is to hold an organizational meeting to form your PTO. At that meeting, you appoint a bylaws committee. At a second organizational meeting, you adopt the bylaws and then hold elections.

If things don't work in quite that way for your group, don't worry. If you've already elected officers and started holding general meetings, then the bylaws simply are presented and approved—usually by a two-thirds vote—at a general meeting.

Before drafting your own bylaws, look at several examples to get a feel for what the possibilities are. There's a sample set of complete bylaws



CHAPTER 3 TOOLS

- Complete Sample Bylaws
- Conflict of Interest Policy
- "Robert's Rules for Beginners" Handout

included with this toolkit. You might want to refer to them as you read the section-by-section description of how to write your bylaws.

If you're starting a PTO at a new school or with a group of parents who have little experience with parent group involvement, consider beginning with very simple bylaws that cover just the basics. You can expand and amend them later as your group grows.

Bylaws, Section by Section

The following list describes the nature of each section of the bylaws.

1. Name of Organization

Most PTOs use the school's name in their name (e.g., "ABC Elementary PTO"), but check with your principal first to make sure that's OK. You can use "PTO" or any other term or acronym you want to indicate your purpose except "PTA," which is reserved for dues-paying chapters of the National PTA.

When choosing a name, remember that if you're going to incorporate, the name must be the same on both the bylaws and the articles of incorporation. Make sure the name isn't being used by another organization in your state (see Chapter 4 on incorporation).

2. Purpose

This section states the reason your group exists and limits the types of business that members can bring before the assembly. For example: "The corporation is organized for the purpose of supporting the education of children at ABC Elementary by fostering relationships among the school, parents, and teachers." In this example, the purpose precludes the PTO from, say, holding a rally for a political candidate because such a rally would not "[foster] relationships among the school, parents, and teachers."

Your articles of incorporation will include a "nonprofit purpose," which you can restate in this section of your bylaws.

3. Membership and Dues

This section designates who can be a member; how dues, if any, are established; and what the qualifications are to become a voting member.

You may define members in a variety of ways. For example, you may specify that a member is anyone who pays dues, whether that person is a

parent, teacher, neighbor of the school, or the mayor. Or you may define a member as anyone who has a connection with the school, such as a parent or guardian, teacher, or administrator. Most groups choose something in between, but it should be based on objective criteria (e.g., “parent” or “dues-payer”) rather than a vague description such as “anyone with an interest in the school.”

The bylaws are the place to state how dues will be *established* rather than what the *amount* will be, as the amount is likely to change; for example, “Membership dues, if any, shall be established by the board of directors.” Not “Dues will be \$2 per member.”

Even if you don’t plan to charge dues (a position PTO Today strongly supports), you should include the suggested language about dues in your bylaws. Otherwise, if you decide you want to charge dues later, you’ll have to make a bylaws change, which is more complicated and time-consuming than taking a vote on a dollar figure.

Voting rights should also be spelled out in this section. Typically, your definition of a “member” will help decide who gets a vote in group decisions. If you do collect membership dues and plan to use “paid” status as a criteria for voting rights, then you should make that clear in your bylaws—for example, “Only members who have paid their dues at least seven calendar days before the meeting shall have voting privileges.”

4. Officers and Elections

This section spells out the titles, duties, and authority of the officers, as well as eligibility, terms of office, and how to remove an officer or fill a vacancy. How officers are elected and when elections are held may be included in this section or broken out as a separate section.

At minimum, a parent group should have a president, secretary, and treasurer. In many states, these officers are required if you incorporate. We also strongly recommend that you have a vice president or president-elect to serve as an alternate to run meetings, as another officer to help with the group’s programs, and as a successor to the president.

It’s a good idea to provide for succession in the bylaws to keep continuity in the organization and to be relatively sure you’ll have someone in place to take over the leadership role at the next election.

Typical duties of these offices include the following:

President: Preside at meetings and keep order; appoint committees; retain all official records of the PTO; act as main liaison with the principal; may represent the PTO at school events and districtwide meetings (such as school committee meetings); and serve as a member of the parent group's executive board. The president may cosign parent group checks if designated in the bylaws or standing rules.

Vice President/President-elect: Fill in for president on duties listed above in absence of or at request of the president. The vice president is a member of the executive board but may not sign checks in the president's place unless designated in the bylaws or standing rules. It's good to give your vice president a specific duty, such as overseeing committees, managing volunteers, or fundraising, so she has a meaningful role.



TWO PRESIDENTS?

Some groups choose to elect copresidents or co-vice presidents (or both).

Pros:

- More people to run events, attend meetings, etc.
- A built-in backup system if one officer has to resign.
- No one person holds too much power.

Cons:

- Confusion over how to divide responsibilities, possibly leading to resentment if one person takes on too much or too little.
- Confusion and hard feelings over who makes final decisions, especially in cases where opinions are split.
- Confusion over who is really in charge.

If you choose to go the copresident route, we recommend that you define responsibilities carefully and in writing and stipulate how copresident disagreements and tie votes will be resolved.

Secretary: Keep all historical records of the organization; take and record meeting minutes; prepare meeting agendas; handle correspondence; and send notices of meetings to the membership. The secretary keeps a copy of the minutes book, bylaws, rules, membership list, and any other necessary supplies and brings them to meetings.



THE PTO SECRETARY

If your group is large, you may want to split the secretary's duties into two parts: a **corresponding secretary** who handles correspondence and notices (and perhaps writes the newsletter) and a **recording secretary** who takes minutes.

Another option is to have one official secretary (serving as a recording secretary) who is an officer and board member, plus a separate communications or publicity committee chair who handles correspondence, newsletters, and so on.

Treasurer: Receive and disburse the money of the organization; maintain the budget and keep the group's books; write and sign checks; balance and reconcile the checking account; and give the treasurer's report at meetings. (See Chapter 6, "Financial First Steps," for more details on handling parent group accounts). The treasurer is responsible for filing tax returns and paying any owed taxes.

These are the main duties of the president, vice president, secretary, and treasurer. If you know of additional duties your board deems essential, they should be stated in the bylaws. You may have other positions with established duties—**volunteer coordinator** or **parliamentarian**, for example. If so, include those positions and their duties in this section, as well.

In general, officers aren't required to perform any duties that have not been specified in the bylaws. To prevent conflicts—and because you may not yet know all the duties each officer will need to perform—add the phrase "and other such duties applicable to the office as prescribed by the parliamentary authority of the organization" each time you list duties.

The Officers and Elections section of the bylaws should also describe:

- Who is eligible for office; for example, "any member in good standing" or "members who have paid dues as of 14 days before the election."

- How officers are nominated—by nominating committee or from the floor—and whether a slate of one candidate per position should be offered on the ballot or whether several people may run for each office.
- When elections are to be held, usually at the last or next-to-last meeting of the school year.
- How officers are elected—ballot or voice vote. Ballot is best, but you can stipulate that a voice vote may be taken if there is only one candidate for a particular office.
- How long officers can serve (typically one term of one or two years). Terms of office may begin immediately after the vote, or at the end of the fiscal year (which usually coincides with the school year).

The Officers and Elections section should also provide for removing someone from office and for filling vacancies.

Removal from office: You should state that removal can occur either “without cause” or “with cause.” Then, if necessary, list possible causes. These might include anything from missing a set number of meetings consecutively to being convicted of a crime. To remove an officer, Robert’s Rules of Order recommends requiring a two-thirds vote of those present and voting, assuming a quorum. Those who abstain are not counted for purposes of calculating the two-thirds majority. (Robert’s Rules of Order is a set of guidelines for conducting meetings, widely used by a large variety of organizations; see “Parliamentary Authority” on p. 21 in this chapter for more about Robert’s Rules of Order.)

Filling vacancies: Vacancies may occur for many reasons, such as when an officer’s children move to another school or when personal issues such as an illness or job demands keep an officer from fulfilling her duties and she resigns. To fill vacancies, you may hold a new election for that office or have the president appoint someone to fill the vacancy until the next election.



CAN TEACHERS HOLD PTO OFFICE?

Treat teachers just like other members. If a teacher would like to serve on the board or a committee and is willing to commit to the time and work involved, great! If you have little or no formal teacher involvement, then you might want to recruit a teacher to act as a PTO-faculty liaison.

5. Meetings

States generally require at least one meeting a year, but other than that, the **frequency of meetings** is up to your PTO.

Many groups meet monthly during the academic year. Others convene only the board every month and hold general membership meetings two to four times a year. There is no right or wrong way. The key is to find what works for your group.

Parents tend to have a limited amount of volunteer time, and you have better ways for them to spend it than attending meetings. It's quite all right to have regular meetings, but don't focus all your efforts on getting people to attend them. Instead, work on getting people to attend your events and volunteer at your activities.

You may state in the bylaws that meetings will be held at a certain time on a particular day of the month (e.g., "the first Tuesday of the month at 7 p.m.") or simply agree to meet "on the same day and at the same time each month, to be determined by the board of directors." It's also possible to be a bit more flexible in your bylaws, with text such as "A general meeting will be held once per month during the school year, at a time and place to be determined by the board of directors and announced at least 30 days in advance."

This section of the bylaws should also set the **quorum** for your group.

A quorum is a minimum number of voting members required to make group decisions. If your quorum is 10 members, for example, and you only have nine in attendance at a general meeting, then you can't vote on group business. If, on the one hand, you consistently get 20 or more members at a meeting, then a quorum of 10 will most likely work fine. If you typically get 150 members at a meeting, then a quorum of 10 will be unfairly small.

The best advice is to set your quorum somewhat lower than typical attendance figures for your group. Of course, a new parent group doesn't know what regular attendance will be. In that case, set the number lower rather than higher, otherwise it might be impossible to meet your quorum and get business done. You can always amend your bylaws later to adjust your quorum number if needed.

This section should spell out how and when members should be **notified about meetings**, such as by written notice, email, fax, telephone, and

so on, as well as how far in advance the notice should be delivered. For example: “The secretary will notify members about meetings via newsletter one week prior to each meeting.”

Some states require a minimum amount of notice prior to a meeting, typically 10 days, though notice might not be required for meetings held on the same day and at the same time each month.

This section may include a provision for **special meetings**. For example: “Special meetings may be called by the president or by any two or more members of the executive board.”

You should also include notification procedures for special meetings (assuming the regular meetings are always at the same time and place on the same day of the month): “The secretary will notify the members of special meetings at least 10 days prior to the meeting, by flyer and email.”

If you’re incorporating, most states require that an “**annual meeting**” be held each year. This is usually the most formal meeting. Members hear the annual reports of the officers, boards, and committees; they elect officers; and they perform other such once-a-year business. Some groups make any bylaw amendments at this time. Many parent groups use this meeting as a social event, as well, to celebrate the end of a successful year.

6. Executive Board

This section of the bylaws creates a board for your organization and tells who the members are, how they are elected, their duties as a board, and the quorum for board meetings. This is also where you name a regular meeting day, if you plan to have one. The board may be made up of just the officers of the organization, or you may want to include your principal, a teacher representative, or the staff-parent liaison, if your school has one. Usually the executive board of a parent group consists of at least four to eight members, sometimes more.

The same questions that apply to how the group as a whole handles meetings applies to the executive board. You have to decide:

- what the quorum will be;
- whether special meetings may be called, who calls them, and how much notice should be given;

- whether meetings may be conducted electronically;
- whether board meetings are open to the general membership; and
- how to handle removals and vacancies.

These questions should be answered using the same guidelines you used to determine rules for your general meetings, with the exception of quorums. Generally, **the quorum of an executive board (or board of directors) is a majority of the board.** If you have a small board (five or fewer), you would be wise to stipulate that all business transacted requires adoption by a majority of the entire board, not a majority of those present. For example, if you have five board members with three as your quorum, and three people show up for the meeting, all three would have to agree (a majority of the board) rather than only two (the majority of those present). This policy protects absent board members. Otherwise two members, a minority of the board, could make decisions on behalf of the board at large.

This section also states the **board members' duties.** In general, the board conducts the business of the organization between regular meetings. The board also usually has the authority to appoint committees, to set standing rules and policies such as meeting time and the dues amount, and to represent the membership when meeting with others.

What the board cannot do is disobey the orders of the general membership (for example, take money raised to buy a new playground and spend it on books for the library) or act outside its prescribed duties. If it does so, the general membership can countermand the board.

7. Committees

Committees other than the executive board may consist of both board members and non-board members. The bylaws may stipulate standing committees or just state that the board may appoint committees as needed (ad hoc).



BEST PRACTICE

We believe it makes great sense to **organize standing committees on key issues**. Developing experts on topics such as fundraising or arts and enrichment can benefit your group. And allowing your standing committees to do the work of exploring alternatives and deciding on direction at the committee level can help you avoid the dreaded three-hour general meetings that turn off so many parents.

Temporary committees (also known as “ad hoc” committees) are those that come into existence for a specific purpose and then go away. For example, if the school is celebrating its 100th anniversary, a centennial committee might be formed. After the celebration has passed, that committee would be dissolved. Or perhaps some students have vandalized the school repeatedly; the parent group might want to form a committee to refurbish the school and run a “school respect” campaign for the remainder of the year.

Some parent groups organize their standing committees by event, such as book fair, fall festival, school pictures, book swap, teacher appreciation luncheon, gift-wrap fundraiser, and room parent coordinators. Others arrange them by category, such as fundraising, hospitality, membership, communications, arts and enrichment, and nominating committee.

There are pros and cons to each method, and some parent groups use a combination. **Tying the committees to events** assures that all programs will have someone in charge and that volunteers working on them will have a good idea of when they’ll be needed and what they’ll have to do. The downside is that when a new event comes up, you have to start a new committee.

Organizing committees by category gives group members an opportunity to sign up for the kind of work they enjoy on an ongoing basis. Outgoing types who like to meet new people can sign up for the membership committee, while those with superior sales and organizational skills might prefer fundraising. Also, this kind of committee structure encourages

members to initiate new programs and share ideas for better ways to run current ones. For example, the fundraising committee would not only run existing fundraisers but also come up with new ideas and research them. On the other hand, making a yearlong commitment to one committee might scare off some volunteers.

Either of these options can work as long as you carefully define your committee structure in a way that works for your group's goals and style.

8. Finances

This section lays out several specifics:

- who determines the annual budget;
- who signs the checks;
- how finances should be accounted for (bookkeeping);
- the fiscal year; and
- how funds should be disposed of if the group is dissolved. (Typically, debts and liabilities are paid off; then the remaining funds are distributed to a similar organization, such as another parent group or an education foundation. The recipient organization also must be tax-exempt as well as meet IRS and any other federal regulations that applied to the original organization.)

State law often dictates what records must be made available to an organization's members and to the general public at the school. Also, federal law requires that a tax-exempt organization's IRS Form 1023 (the application for tax-exempt status) and copies of the organization's annual information returns (IRS Form 990) for the most recent three years be available for public review upon request.

9. Parliamentary Authority

Most groups use Robert's Rules of Order to govern how meetings are run, although special rules or bylaws of the organization can still be established to supersede that authority.

Although some may roll their eyes at the thought of following Robert's Rules, basic parliamentary procedures are an organization's best friend. They help meetings run smoothly and efficiently, and that encourages members to come back the next time.

They also provide an impartial way to deal with problems, such as when a parent or administrator hogs the floor or emotions start running high.

You don't have to memorize every word. Many books and websites provide the basic, most frequently used parliamentary procedures in plain language with easy steps. Some parent groups even hand out simplified rules, such as tips on how to make and amend motions and using orderly discussion procedures, to avoid getting bogged down.

A handout covering the basics of Robert's Rules of Order is included with this toolkit.

10. Standing Rules

This section of the bylaws does not need to detail the individual standing rules or policies; it's enough just to indicate that your group may decide to use standing rules and how those rules will be determined.

Standing rules, also called policies, can be thought of as informal bylaws or, alternatively, as a formal way of presenting "the way we've always done it." The standing rules should be recorded by the secretary as a guide for current and future members.

Using standing rules for procedural or less fundamental organizational matters can be a smart move because changing standing rules is usually easier than changing bylaws.

Standing rules can be invoked for one meeting, such as at a special meeting where, by majority vote, the assembly agrees to limit discussion on the topic at hand to one hour. Standing rules also can be established at the inception of a group and kept in place until the motion that brought them forth is rescinded or amended.

Typical standing rules include the start time for regular meetings, the meeting place, and traditions such as holding the annual meeting at a local restaurant or the president's home.

Standing rules can also be useful when there's an extraordinary but temporary situation. For example, if normally the PTO secretary handles all correspondence but this year there is more correspondence than usual, the group could move to appoint a secretarial assistant for the duration of the year. Having this assistant becomes a standing rule that can be rescinded when there is no longer a need.

11. Dissolution

This section of the bylaws sets out provisions for dissolving the organization. Typically, previous notice and a two-thirds vote can dissolve an organization. This section may also include instructions for distributing any assets the organization may have (see article 8, “Finances,” on p. 21). Even if you aren’t planning to incorporate or file for tax-exempt status, it makes sense to use IRS-approved language here so that you’ll have maximum flexibility down the road.

12. Amendments

Amendments allow the membership to alter or repeal the bylaws, with proper notice.

“Proper notice” is up to the organization to decide and should be defined in this section. It may be the same as for a special meeting, it may be the period from one regular meeting to the next, or it may be only at the annual meeting.

The way “proper notice” is given to the membership should also be written into the bylaws. There are two typical options. The first is submitting bylaw amendments in writing to the board or bylaws committee, if you have one, with a specified number of additional signatures. Usually two or three are required, showing that more than one person is interested in making the change. The second method is giving notice orally at the previous meeting.

According to Robert’s Rules of Order, amendments are approved by a two-thirds vote of those present, assuming a quorum.

13. Conflict of Interest Policy

The conflict of interest policy should describe how to determine whether an officer conflict of interest exists and, if so, how to address it. If your group applies for 501(c)(3) status using Form 1023, you must include a conflict of interest statement with your application. While the shorter Form 1023-EZ does not require organizations to submit a conflict of interest statement, we recommend including one anyway. (For help determining which form your group should use, see Chapter 5 of this toolkit.)

The sample language is long, complex, and undeniably written to cover a variety of situations far more sophisticated than what the typical parent group sees. But by using the exact language the IRS suggests, your parent

group can adopt a comprehensive conflict of interest policy that will be sure to pass IRS scrutiny.

A sample conflict of interest statement recommended by the IRS is included with this toolkit. It's also part of the complete sample bylaws accompanying this toolkit.

Final Steps

You may want to have an attorney look over the bylaws to make sure they agree with state guidelines, then hold an organizational meeting of your members to approve them. Once in place, a well-formed set of bylaws should be your guide in times of disagreement and your best friend when looking to run your group efficiently. Defining the various roles and responsibilities should spread the work of your group clearly among many members—easing the strain on leaders, allowing you to get more done as a group, and grooming new leaders for years to come. ♥



LEARN MORE

- [How To Write PTO Bylaws](#)
- [10 Key Points About Bylaws](#)
- [Bylaws/Policies File Exchange](#)
- [Bylaws/Nonprofit resources page](#)
- [Leader's Toolkit](#)
- [Secretary's Toolkit](#)
- [Treasurer's Toolkit](#)

Chapter 4:

Incorporation: Becoming a Legal Entity

Once you get an EIN, incorporation is the best next move. Incorporation involves registering your group in your state and filing “articles of incorporation”—paperwork that shows that your PTO is organized in a professional way. After that, you can fairly easily move into the process of applying for your 501(c)(3) tax-exempt status.

You don’t have to incorporate, but there are three good reasons to do so:

The corporate shield: Incorporating helps protect your officers and members from being held personally liable in a lawsuit against the organization. The act of incorporating creates a distinct legal entity: your PTO. In effect, it demonstrates that actions you take as an officer are made on behalf of the PTO and aren’t personal business. Thus, you are protected from liability in most cases. This protection is referred to as the “corporate shield.” (We also recommend that parent groups have liability insurance. See Appendix A, “Are You Covered?” for a discussion of insurance needs.)

Increased independence: Incorporating increases the PTO’s control over its activities. As a distinct legal entity, your group can assert ownership of its assets and independence in its actions more easily.

Stronger public image: Incorporating gives the group credibility. The public perception is that an incorporated organization is more “serious” than an unincorporated association of individuals. This can be important, for instance, in soliciting donations from local businesses.

Despite these advantages, some groups don’t incorporate. Among the most common reasons:

- Incorporating creates paperwork (the initial filing plus an annual report, though in some states this is just a one-page form).



CHAPTER 4 TOOLS

- Incorporation: Key Questions
- Sample Articles of Incorporation

- It takes money from the group's coffers (usually less than \$100 in state filing fees, plus attorney's fees if you consult a lawyer).
- It adds a layer of formality that some groups don't feel is necessary.



BEST PRACTICE

We believe incorporation is a wise investment of time and money for the future of any parent group. Eligibility for grants and funding, professionalism, and even limited liability are all benefits that far outweigh the short-term effort and limited expense of incorporating and then becoming a federally tax-exempt 501(c)(3).

Incorporation, Step by Step

While you're working on your paperwork, go ahead and appoint the initial directors of your group (essentially, your executive board)—in some states, the directors' names must be on the articles of incorporation when you file them.

If you're going to incorporate, do so before filing for tax-exempt status from the IRS. The IRS considers a group a new entity when it incorporates. In other words, even if you already have tax-exempt 501(c)(3) status, you would be required to refile after you incorporate.

1. Obtain Incorporation Forms From Your State's Corporate Filings Office

Every state has a corporate filing division, usually part of the secretary of state's office. This office will provide information on incorporating in your state, which typically includes your state's nonprofit corporation laws, fill-in-the-blank forms, and a filing fee schedule. A search for "incorporating in [state name]" will usually get you to the right spot; the IRS also lists relevant government agency links on its [State Links for Exempt Organizations](#) page.

The procedures and rules for incorporating vary from state to state. The steps outlined here are the most common, but each state has its own quirks. You'd do well to get your key incorporation steps directly from your state's experts.

To make things simpler and to avoid having to contact your state's corporations office repeatedly, keep this list of key questions on hand when you call or visit the website. A one-page printable copy is included with this toolkit.

- How many days' advance notice are required before regular and special meetings?
- What is the minimum number of directors (officers) this state requires?
- Where can we find the specific language required by the state for articles of incorporation?
- Once we've received federal tax exemption, do we file a separate application for state tax exemption or provide proof from the IRS? (In many states, federal approval automatically leads to state approval with no more action on your part. You don't need this answer for the incorporation process, but it'll be helpful if you decide to apply for tax-exempt status.)
- Do we need any special permits from the state to run our programs—for example, a state tax permit if our group will be selling anything?

With this list in hand, you're ready to contact your state corporations office and begin the process of incorporating.

2. Choose a Business Name

When choosing a name for your group (typically "[Name of School] Parent-Teacher Organization"), you must comply with your state's naming guidelines. They vary, but most states have these requirements:

- The name of your group can't be the same as another group on file with the corporations division and can't violate the trademark of a company. (Unless your school has a very common name, this shouldn't come into play.)
- The name must end with what's known as a corporate designator: "Corporation," "Incorporated," or "Limited."
- The name can't contain certain words, including "bank," "cooperative," "federal," "national," "United States," and "reserve." (Not that you would; "XYZ Elementary PTO Inc." is typical and perfectly acceptable).

The corporations division can tell you whether a name is available and, for a small fee, will sometimes hold the name for you briefly until your articles of incorporation are filed. But again, this probably isn't necessary unless your school has a very popular name and there's risk of confusion. Once you file the articles, the name is automatically registered.

3. File Articles of Incorporation

Now it's time to prepare and file your formal paperwork and pay the filing fee. This document is often called the "articles of incorporation." We've also heard the terms "articles of organization," "articles of association," "certificate of incorporation," "certificate of formation," "charter," and even "constitution" used in this context. All of these terms refer to the organizing document for your group. We'll use "articles of incorporation" here because it's the most common name and it's acceptable for the IRS application process for federal tax exemption (described in Chapter 5).

What Are Articles of Incorporation?

The articles of incorporation make up a document stating the particulars of how your parent group will be organized and maintained as a legal nonprofit corporation, including the name of the group, why it has been organized, number of members, and so on.

Your articles of incorporation are different from your bylaws, although there's some overlap. Bylaws go into more detail on the operating procedures of your group, whereas articles of incorporation stick to the basics. The distinctions become important when you apply for state nonprofit status and federal tax exemption.

Articles of incorporation are required to incorporate. Most states don't require that you file your bylaws during the incorporation process.

Most states provide a fill-in-the-blanks form to follow for your articles of incorporation. A sample set of articles of incorporation are included with this toolkit to give you an idea of what this form typically looks like, but you'll need to ask your state corporations office for the format that's appropriate for your state.

Note: Whether your state has a fill-in-the-blanks form or guidelines for you to write your own articles, you must use the specific language required by the state. The state office will give you that information, either on the form or in the guidelines. If you don't see it, ask for it.

Sample Articles of Incorporation

Here is an example of articles of incorporation based on Virginia law. If you do not live in Virginia, your state's form/format and language may vary, but the basic procedures are the same. We have included the form as an example of what to expect, along with comments to help you understand what to do and why.

<p>ARTICLES OF INCORPORATION OF "YOUR SCHOOL PTO" INC.</p>	←	Insert name of your parent group
<p>TO: STATE CORPORATION COMMISSION: The undersigned natural person of the age of twenty-one years or more, acting as incorporator, adopts the following Articles of Incorporation pursuant to the VIRGINIA NONSTOCK CORPORATIONS ACT:</p>	←	Introductory paragraph may vary based on state form/format.
<p>FIRST: The name of the corporation is YOUR SCHOOL PTO INC.</p>	←	FIRST: Insert name of your parent group
<p>SECOND: The period of duration is perpetual.</p>		
<p>THIRD: The corporation is organized and will be operated exclusively for charitable and educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code. Specifically, the corporation is organized to support the education of children at SCHOOL NAME by fostering relationships between the school, parents and teachers. In pursuance of these purposes it shall have the powers to carry on any business or other activity which may be lawfully conducted by a corporation organized under the VIRGINIA NONSTOCK CORPORATIONS ACT, whether or not related to the foregoing purposes, and to do all things necessary, proper, and consistent with maintaining tax-exempt status under section 501(c)(3).</p>	←	THIRD: All references to sections in these Articles refer to the Internal Revenue Code of 1986 as amended or to comparable sections of subsequent internal revenue laws.
<p>FOURTH: The corporation may have one or more classes of members, the qualifications and rights of which, including voting rights, shall be designated in the bylaws.</p>		
<p>FIFTH: The registered agent is NAME, who is a resident of the state of STATE and a director of the corporation, and the address of its initial registered office is ADDRESS, which is physically located in the county of COUNTY.</p>	←	FIFTH: States vary on who may serve as registered agent, but it is usually one of the board members. This person will receive correspondence from the state. Use the school's address as the initial registered office, as that most likely will not change.

SIXTH: The number of directors constituting the initial Board of Directors is NUMBER, and the names and addresses, including street number, of the persons who are to serve as the initial directors until the first annual meeting, or until their successors are elected and qualified are:

INSERT NAMES AND ADDRESSES OF INITIAL BOARD MEMBERS

The members of the Board of Directors shall be those individuals elected, from time to time, in accordance with the Bylaws. Directors shall elect their successors.

SIXTH: States vary on the minimum number of board members, but three is typical. We recommend a new board consist of at least three to five board members.

SEVENTH: The internal affairs of the corporation shall be regulated by its Board of Directors as described in the Bylaws. Upon dissolution of the corporation, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose.

EIGHTH: No part of the net earnings of the corporation shall inure to the benefit of or be distributed to any director, employee, or other individual, partnership, estate, trust, or corporation having a personal or private interest in the corporation. Compensation for services actually rendered and reimbursement for expenses actually incurred in attending to the affairs of this corporation shall be limited to reasonable amounts. No substantial amount of the activities of the corporation shall be the carrying on of propaganda or otherwise attempting to influence legislation, and this corporation shall not intervene in (including the publishing or distributing of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision of these Articles or of any Bylaws adopted thereunder, this corporation shall not take any action not permitted by the laws which then apply to this corporation.

SEVENTH/EIGHTH: These articles include special language required by the IRS for groups applying for tax exemption under section 501(c)(3).

NINTH: The name and address, including street and number, of the incorporator is:

NAME
ADDRESS

NINTH: The "incorporators" formally state that they want this organization incorporated. Their duties end at the corporation's initial board meeting. States typically require one to three incorporators of legal age.

IN WITNESS THEREOF, I have hereunto set my hand and seal this _____ day of _____, 20XX.

By: _____ NAME, Incorporator

In addition to language specifically required by your state, the IRS requires that certain language be included in your articles of incorporation related to the purpose of the organization and the dissolution of the organization. Even if your group isn't currently planning to file for tax exemption, it's wise to include the IRS's requirements in your document at the outset. Including these provisions now makes your articles compliant in case your group chooses to file for federal tax-exempt status down the road. You'll avoid the need to file an amendment to your articles.

The dissolution section simply indicates that if your group dissolves, its assets must go to another charity or government entity; they can't go to a for-profit company or to any individuals.

Despite the reputation of government officials and IRS representatives, most are happy to answer questions and help if you get stuck. If the articles of incorporation aren't drafted correctly, most states will return the articles to you along with an explanation of what you did wrong. You can then make the changes and refile without penalty. Most states either return your check with the incorrect articles or hold it while you correct and return the articles. Usually, you won't lose your filing fee if you make a mistake. ●

Chapter 5:

Applying for Tax-Exempt Status Using IRS Form 1023-EZ

While many groups don't incorporate, even more never get around to officially securing tax-exempt status with the IRS. We believe this is a mistake.

School parent groups do good work, and their leaders don't look to profit from that work. Parent groups are perfect candidates for tax-exempt status, so why not take advantage of the financial incentives built specifically for those organizations?

Note: In most states, federal income tax exemption carries over to the state level. You'll want to check with your own state's revenue department for specific details and more information about state sales tax exemption.

Why Become an Official 501(c)(3) Organization?

Section 501(c) of the federal tax code defines organizations that are exempt from paying federal income tax. The various definitions apply to charities, churches, trade associations, and other organizations. Section 501(c)(3) is the section that applies to school parent groups.

There are many reasons to file for federal tax exemption:

- There will most likely be no federal taxes owed on your group's earnings.
- Most grants are open only to official 501(c)(3) groups.
- Supporters who donate to your group can deduct their donations from their own taxes.
- There are nice tax advantages for your leaders and volunteers (mileage and other expenses related to PTO work can be deducted, for example).



CHAPTER 5 TOOLS

- Form 1023-EZ Eligibility Worksheet
- Form 1023-EZ Completed Sample

How Can Your Group Become Official?

After you receive a copy of your filed articles of incorporation from the state, submit your application for federal tax exemption to the IRS.

The IRS has streamlined the application process for small nonprofits, making it easier (and less expensive) for most PTOs to apply for tax-exempt status. As of July 1, 2016, organizations with an annual projected gross income of \$50,000 or less will pay \$275 when filing Form 1023-EZ, "Streamlined Application for Recognition of Exemption." The three-page application is submitted online and requires fee payment through Pay.gov. Only nonprofits with a gross income of more than \$50,000 are required to use Form 1023, which requires detailed financial information.

Gross income is *all* income before expenses are paid. If a PTO sells \$60,000 of goods in a catalog sale and has a 50 percent split with the catalog vendor, ending with a profit of \$33,000, the IRS would look at the gross income of \$60,000 and the PTO would be required to use Form 1023. If you're not sure which form to use, read the instructions for Form 1023-EZ and complete the Eligibility Worksheet at the end of the instructions to see whether you qualify to use the shorter form.

The next part of this chapter walks you through each line on Form 1023-EZ. (Instructions for filling out Form 1023 can be found in Appendix B.)



OFFICIALLY TAX-EXEMPT?

Groups often wonder about their status during the application process. IRS rules state that a group's federal tax-exempt status begins the day the group is formed as long as two conditions are met:

1. Form 1023 or Form 1023-EZ is filed within 27 months of the end of the month in which the group was formed.
2. The IRS approves the application. According to the IRS, your group can act as though its application is approved until you hear otherwise.

If you haven't filed Form 1023 or Form 1023-EZ within 27 months of your group's formation, you can explain the reason in Schedule E, which accompanies your application. The IRS may then grant you exemption retroactive to your formation date.

Form 1023-EZ Eligibility Worksheet

Before filling out Form 1023-EZ, you'll need to complete the Eligibility Worksheet found at the end of the instructions for Form 1023-EZ. Your answers to the worksheet questions will determine whether your group is able to apply for tax-exempt status using Form 1023-EZ. **If you answer "yes" for any question, your group can stop filling out the worksheet and you'll need to file the longer Form 1023.**

1. If your group takes in \$50,000 or less per year, check "no." (To be eligible to use Form 1023-EZ, your group's annual gross receipts must not have been greater than \$50,000. In addition, your *projected* gross receipts for the next two years must not exceed \$50,000.)

2. If your gross receipts for the past three years were \$50,000 or less per year, check "no." (Ask the treasurer for this information if you don't have it.)

3. Most parent groups will check "no."

4-9. Check "no."

10. Most groups will check "no." (If your organization, using the same EIN and incorporation status, previously had 501(c)(3) status from the IRS and it was revoked because you didn't file your Form 990-series information returns for the past three years, you still check "no" here.)

11. Check "no."

12. Check "no" even if you're a group at a church-affiliated private school.

13. School parent groups will check "no" because they're separate entities from the schools they support.

14-29. Check "no."

30. Most groups will check "no." (If your group previously had 501(c)(3) status and it was revoked because you didn't file Form 990-EZ or Form 990-N within the past 15 months, check "no." Otherwise, check "yes.")

The Eligibility Worksheet doesn't need to be submitted to the IRS. **If your answer for all questions is "no," your parent group can use Form 1023-EZ.**

Registering on Pay.gov

If your PTO meets the requirements to file Form 1023-EZ, the first step to completing your application is to register for an account on www.pay.gov.

1. Choose “Create a company account.”
2. Fill in contact information and click “Activate Account.”
3. Fill in the requested information for your PTO (using the school mailing address is best).
4. Fill in your company name—this should match your incorporation documents and bylaws—then under “Company Contact Information,” check the box for “same as Contact Information.”
5. Select a password and security questions.
6. Click “Create My Account.”

Form 1023-EZ, Line by Line

After logging in, use the search field and enter “1023-EZ.” The form must be filled out and submitted online, but you can print a blank form to write on; scroll down and click “PDF Preview.”

Eligibility Confirmation

Check the box to indicate that you completed the worksheet and you’re eligible to use Form 1023-EZ. On the next two lines, check “no.”

Part I: Identification of Applicant

1a-9b. In Part I of the form, you’ll enter the name and contact information for your parent group and for your officers. If your PTO has a website, enter the website address. Including an email address for your PTO is optional.

Part II: Organizational Structure

Part II of the form seeks information about your PTO’s structure.

1. If you have filed articles of incorporation with your state, mark the box labeled “corporation.” Unincorporated associations may apply for tax-exempt status using Form 1023-EZ, but we recommend that PTOs seek incorporation first (see Chapter 4).
- 2-4. If you’ve filed articles of incorporation, check the box on Line 2. On the next two lines, include the date your PTO was incorporated and the state.
5. Check this box; you promise that your organizing document (usually the Articles of Incorporation filed with the state) includes your group’s purpose, and your purpose is consistent with the things that the IRS will accept for a tax-exempt group.

6. Check this box; you promise that your organizing document doesn't commit your group to do things that are outside your purpose.
7. Check this box; you promise that your organizing document specifies that your PTO's assets will be used for another "exempt" purpose if your PTO dissolves. That could mean you donate the money to another PTO, to a different charity, or to your school, for example.

Part III: Your Specific Activities

1. Briefly describe your exempt purpose and your most significant activities that further those purposes. These should be actual or firmly planned/scheduled activities, not ones that you're still considering.
2. Enter a three-character code that best describes your activities. The code for PTOs and PTAs is B94. (The full list of codes are in the instructions, after the Eligibility Worksheet.)
3. Select "Charitable."
4. Check the box to indicate that your PTO will follow guidelines for tax-exempt organizations.
- 5-10. Check "no" on all six lines.
11. Check "yes" or "no" to indicate whether your group operates bingo or other gaming activities.
12. Check "no."

Part IV: Foundation Classification

1. Check "no."
2. Check the box for 2b and skip Line 3.

Part V: Reinstatement After Automatic Revocation

Groups applying for 501(c)(3) status for the first time may skip this section. It applies only to groups that had their 501(c)(3) status revoked by the IRS.

Part VI: Signature

Check the box, then fill in your name and the date.

Approval

The IRS will contact you if there are any questions about your application.

**Streamlined Application for Recognition of Exemption
Under Section 501(c)(3) of the Internal Revenue Code**

Do not enter Social Security numbers on this form as it will be made public.

Information about Form 1023-EZ and its separate instructions is at www.irs.gov/form1023**Note:** If exempt status is approved,
this application will be open for
public inspection.

☒ **Check this box to attest that you have completed the Form 1023-EZ Eligibility Worksheet in the current instructions, are eligible to apply for exemption using Form 1023-EZ, and have read and understand the requirements to be exempt under section 501(c)(3).**

Have your annual gross receipts exceeded \$50,000 in any of the past 3 years and/or do you project that your annual gross receipts will exceed \$50,000 in any of the next 3 years? If yes, stop. Do not file Form 1023-EZ. See Instructions. ☐ Yes ☒ No

Do you have total assets the fair market value of which is in excess of \$250,000? If yes, stop. Do not file Form 1023-EZ. See Instructions. ☐ Yes ☒ No

Part I Identification of Applicant**1a** Full Name of Organization

ANYTOWN ELEMENTARY SCHOOL PARENT-TEACHER ORGANIZATION

b Mailing Address (number, street, and room/suite). If a P.O. box, see instructions.

123 MAIN STREET

c City

ANYTOWN

d State

MA

e Zip code + 4

00000-1234

2 Employer Identification Number

99-1234567

3 Month Tax Year Ends (MM)

06

4 Person to Contact if More Information is Needed

PATTY PRESIDER

5 Contact Telephone Number

555-555-5555

6 Fax Number (optional)**7** User Fee Submitted

\$275.00

8 List the names, titles, and mailing addresses of your officers, directors, and/or trustees. (If you have more than five, see instructions.)

First Name: PATTY

Last Name: PRESIDER

Title: PRESIDENT

Street Address: 123 MAIN STREET

City: ANYTOWN

State: MA

Zip code + 4: 00000-1234

First Name: SUSAN

Last Name: SECOND

Title: VICE PRESIDENT

Street Address: 123 MAIN STREET

City: ANYTOWN

State: MA

Zip code + 4: 00000-1234

First Name: NANCY

Last Name: NOTE-TAKER

Title: RECORDING SECRETARY

Street Address: 123 MAIN STREET

City: ANYTOWN

State: MA

Zip code + 4: 00000-1234

First Name: FIONA

Last Name: FINANCES

Title: TREASURER

Street Address: 123 MAIN STREET

City: ANYTOWN

State: MA

Zip code + 4: 00000-1234

First Name:

Last Name:

Title:

Street Address:

City:

State:

Zip code + 4:

9a Organization's Website (if available): WWW.ANYTOWNPTO.COM**b** Organization's Email (optional): ANYTOWNPTO@XXXXX.COM**Part II Organizational Structure****1** To file this form, you must be a corporation, an unincorporated association, or a trust. **Select the box** for the type of organization.☒ Corporation ☐ Unincorporated association ☐ Trust**2** ☒ **Check this box** to attest that you have the organizing document necessary for the organizational structure indicated above.(See the instructions for an explanation of **necessary organizing documents**.)**3** Date incorporated if a corporation, or formed if other than a corporation (MMDDYYYY): 08052017**4** State of Incorporation or other formation: Massachusetts**5** Section 501(c)(3) requires that your organizing document must limit your purposes to one or more exempt purposes within section 501(c)(3).☒ **Check this box** to attest that your organizing document contains this limitation.**6** Section 501(c)(3) requires that your organizing document must not expressly empower you to engage, otherwise than as an insubstantial part of your activities, in activities that in themselves are not in furtherance of one or more exempt purposes.☒ **Check this box** to attest that your organizing document does not expressly empower you to engage, otherwise than as an insubstantial part of your activities, in activities that in themselves are not in furtherance of one or more exempt purposes.**7** Section 501(c)(3) requires that your organizing document must provide that upon dissolution, your remaining assets be used exclusively for section 501(c)(3) exempt purposes. Depending on your entity type and the state in which you are formed, this requirement may be satisfied by operation of state law.☒ **Check this box** to attest that your organizing document contains the dissolution provision required under section 501(c)(3) or that you do not need an express dissolution provision in your organizing document because you rely on the operation of state law in the state in which you are formed for your dissolution provision.

Part III Your Specific Activities

1 Briefly describe the organization's mission or most significant activities (limit 250 characters)

Our mission is to organize and pay for student enrichment programs, parent education programs, classroom resources, and family events to support the learning and community at Anytown Elementary.

2 Enter the appropriate 3-character NTEE Code that best describes your activities (See the instructions):

B94

3 To qualify for exemption as a section 501(c)(3) organization, you must be organized and operated exclusively to further one or more of the following purposes. By checking the box or boxes below, you attest that you are organized and operated exclusively to further the purposes indicated. **Check all that apply.**

- | | | |
|---|---|--|
| <input checked="" type="checkbox"/> Charitable | <input type="checkbox"/> Religious | <input type="checkbox"/> Educational |
| <input type="checkbox"/> Scientific | <input type="checkbox"/> Literary | <input type="checkbox"/> Testing for public safety |
| <input type="checkbox"/> To foster national or international amateur sports competition | <input type="checkbox"/> Prevention of cruelty to children or animals | |

4 To qualify for exemption as a section 501(c)(3) organization, you must:

- ☐ Refrain from supporting or opposing candidates in political campaigns in any way.
- ☐ Ensure that your net earnings do not inure in whole or in part to the benefit of private shareholders or individuals (that is, board members, officers, key management employees, or other insiders).
- ☐ Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially.
- ☐ Not be organized or operated for the primary purpose of conducting a trade or business that is not related to your exempt purpose(s).
- ☐ Not devote more than an insubstantial part of your activities attempting to influence legislation or, if you made a section 501(h) election, not normally make expenditures in excess of expenditure limitations outlined in section 501(h).
- ☐ Not provide commercial-type insurance as a substantial part of your activities.

☒ Check this box to attest that you have not conducted and will not conduct activities that violate these prohibitions and restrictions.

- | | | |
|---|---------------------------|-------------------------------------|
| 5 Do you or will you attempt to influence legislation? (If yes, consider filing Form 5768. See the instructions for more details.) | <input type="radio"/> Yes | <input checked="" type="radio"/> No |
| 6 Do you or will you pay compensation to any of your officers, directors, or trustees? (Refer to the instructions for a definition of compensation .) | <input type="radio"/> Yes | <input checked="" type="radio"/> No |
| 7 Do you or will you donate funds to or pay expenses for individual(s)? | <input type="radio"/> Yes | <input checked="" type="radio"/> No |
| 8 Do you or will you conduct activities or provide grants or other assistance to individual(s) or organization(s) outside the United States? | <input type="radio"/> Yes | <input checked="" type="radio"/> No |
| 9 Do you or will you engage in financial transactions (for example, loans, payments, rents, etc.) with any of your officers, directors, or trustees, or any entities they own or control? | <input type="radio"/> Yes | <input checked="" type="radio"/> No |
| 10 Do you or will you have unrelated business gross income of \$1,000 or more during a tax year? | <input type="radio"/> Yes | <input checked="" type="radio"/> No |
| 11 Do you or will you operate bingo or other gaming activities? | <input type="radio"/> Yes | <input checked="" type="radio"/> No |
| 12 Do you or will you provide disaster relief? | <input type="radio"/> Yes | <input checked="" type="radio"/> No |

Part IV Foundation Classification

Part IV is designed to classify you as an organization that is either a private foundation or a public charity. Public charity status is a more favorable tax status than private foundation status.

- 1 Are you applying for recognition as a church, school, or hospital (described in section 170(b)(1)(A)(i), (ii), or (iii) of the Internal Revenue Code)? If yes, stop. Do not file Form 1023-EZ. See Instructions ☐ Yes ☒ No
- 2 If you qualify for public charity status, check the appropriate box (2a - 2c below) and skip to **Part V** below.
- a ☐ Select this box to attest that you normally receive at least one-third of your support from public sources or you normally receive at least 10 percent of your support from public sources and you have other characteristics of a publicly supported organization. **Sections 509(a)(1) and 170(b)(1)(A)(vi).**
- b ☒ Select this box to attest that you normally receive more than one-third of your support from a combination of gifts, grants, contributions, membership fees, and gross receipts (from permitted sources) from activities related to your exempt functions and normally receive not more than one-third of your support from investment income and unrelated business taxable income. **Section 509(a)(2).**
- c ☐ Select this box to attest that you are operated for the benefit of a college or university that is owned or operated by a governmental unit. **Sections 509(a)(1) and 170(b)(1)(A)(iv).**
- 3 If you are not described in Items 2a - 2c above, you are a private foundation. As a private foundation, you are required by section 508(e) to have specific provisions in your organizing document, unless you rely on the operation of state law in the state in which you were formed to meet these requirements. The specific provisions require that you operate to avoid liability for private foundation excise taxes under sections 4941-4945.
- ☐ Select this box to attest that your organizing document contains the provisions required by section 508(e) or that your organizing document does not need to include the provisions required by section 508(e) because you rely on the operation of state law in your particular state to meet the requirements of section 508(e). (See the instructions for explanation of the section 508(e) requirements.)

Common Attachments Required for PTOs Filing IRS Form 1023

"Application for Recognition of Exemption," for 501(c)(3) status

- Print all attachments on 8.5-by-11 white paper
- On each page, include your group's name, its EIN, and the Form 1023 Part and Line numbers

1	<input type="checkbox"/>	Part II, Line 1	include your complete articles of incorporation, including certification of filing with your state
2	<input type="checkbox"/>	Part II, Line 5	include your complete bylaws, showing date of adoption
3	<input type="checkbox"/>	Part IV	describe past, present, and future planned activities showing how your PTO's exempt purpose will be achieved; optionally, you may attach copies of newsletters, flyers, handouts that support the narrative
4	<input type="checkbox"/>	Part V, Line 2a	if you checked "Yes," explain any family or business relationships between officers
5	<input type="checkbox"/>	Part V, Line 3a	attach a list of officers' names, qualifications, average hours worked, and job duties
6	<input type="checkbox"/>	Part V, Line 4g	write "Compensation is not applicable" on the form or in an attachment
7	<input type="checkbox"/>	Part V, Line 5a	include your conflict of interest policy, including how it was adopted; e.g. "Adopted by unanimous vote at the PTO meeting on MM/DD/YYYY"
8	<input type="checkbox"/>	Part VI, Line 1a	describe your group's programs providing goods, services, or funds to teachers, subsets of students, etc.
9	<input type="checkbox"/>	Part VI, Line 1b	describe your group's programs providing goods, services, or funds to the school
10	<input type="checkbox"/>	Part VI, Line 3	describe how the family members of your officers are eligible for for benefits (i.e., they are students at the school)
11	<input type="checkbox"/>	Part VII, Line 2	if you checked "Yes," complete Schedule E
12	<input type="checkbox"/>	Part VIII, Line 3a	if you checked "Yes" (your PTO hosts bingo), include the information required by this question
13	<input type="checkbox"/>	Part VIII, Line 3c	if you checked "Yes" on Line 3a, indicate the state and local jurisdictions where you host bingo
14	<input type="checkbox"/>	Part VIII, Line 4a	describe each of your fundraising programs
15	<input type="checkbox"/>	Part VIII, Line 4d	list the state and local jurisdictions where you fundraise; e.g. "The XYZ Parent-Teacher Organization raises funds in CITY, STATE, exclusively for its own use"
16	<input type="checkbox"/>	Part VIII, Line 13b	describe how distributions to other organizations (i.e., your school) advance your exempt purpose; e.g. "XYZ PTO makes distributions to XYZ Elementary for the enhancement of the educational environment.... XYZ PTO provides goods and services not otherwise possible within the school's normal resources, such as...."
17	<input type="checkbox"/>	Part VIII, Line 13d	describe who gets distributions and what your relationship is; e.g. "XYZ PTO support XYZ Elementary as an independent but closely allied volunteer organization. XYZ PTO members are parents, guardians, teachers, and staff of XYZ Elementary."
18	<input type="checkbox"/>	Part VIII, Line 13e	describe the records you keep when distributing funds to other organizations or individuals (like the school or principal), including for mini-grant programs
19	<input type="checkbox"/>	Part VIII, Line 13f	if your PTO runs a mini-grant or other similar program, describe the program details as required
20	<input type="checkbox"/>	Part VIII, Line 13g	describe how your group monitors the way disbursements to the school are used
21	<input type="checkbox"/>	Part VIII, Line 15	describe your relationship with the school; e.g. "XYZ Parent-Teacher Organization and XYZ Elementary School operate in a coordinated manner with respect to programs and activities"
22	<input type="checkbox"/>	Part IX A, Line 9	list all fundraising sources (other than dues), with gross amounts collected, by fiscal year as required
23	<input type="checkbox"/>	Part IX A, Line 14	list fundraising expenses by program, as identified for Line 9
24	<input type="checkbox"/>	Part IX A, Line 15	if your group makes contributions to other charitable organizations, itemize them by fiscal year as required
25	<input type="checkbox"/>	Part IX A, Line 23	list all remaining expenses (other than fundraising expenses), by program and fiscal year as required
26	<input type="checkbox"/>	Schedule E, Line 5	if required, explain why your PTO is just now filing for 501(c)(3) status (i.e., why you qualify for an extension)

Part V Reinstatement After Automatic Revocation

Complete this section only if you are applying for reinstatement of exemption after being automatically revoked for failure to file required annual returns or notices for three consecutive years, and you are applying for reinstatement under section 4 or 7 of Revenue Procedure 2014-11. (Check only one box.)

- 1 ☐ Check this box if you are seeking retroactive reinstatement under section 4 of Revenue Procedure 2014-11. By checking this box, you attest that you meet the specified requirements of section 4, that your failure to file was not intentional, and that you have put in place procedures to file required returns or notices in the future. (See the instructions for requirements.)
- 2 ☐ Check this box if you are seeking reinstatement under section 7 of Revenue Procedure 2014-11, effective the date you are filling this application.

Part VI Signature

☒ I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, and to the best of my knowledge it is true, correct, and complete.

PATTY PRESIDER

(Type name of signer)

PRESIDENT

(Type title or authority of signer)

01032018

(Date)

**Application for Recognition of Exemption
Under Section 501(c)(3) of the Internal Revenue Code**

▶ **Do not enter social security numbers on this form as it may be made public.**
▶ **Go to www.irs.gov/Form1023 for instructions and the latest information.**

OMB No. 1545-0056
Note: If exempt status is approved, this application will be open for public inspection.

Use the instructions to complete this application and for a definition of all **bold** items. For additional help, call IRS Exempt Organizations Customer Account Services toll-free at 1-877-829-5500. Visit our website at www.irs.gov for forms and publications. If the required information and documents are not submitted with payment of the appropriate user fee, the application may be returned to you.

Attach additional sheets to this application if you need more space to answer fully. Put your name and EIN on each sheet and identify each answer by Part and line number. Complete Parts I – XI of Form 1023 and submit only those Schedules (A through H) that apply to you.

Part I Identification of Applicant

1 Full name of organization (exactly as it appears in your organizing document)		2 c/o Name (if applicable)	
Anytown Elementary School Parent-Teacher Organization		N/A	
3 Mailing address (Number and street) (see instructions)	Room/Suite	4 Employer Identification Number (EIN)	
123 Main Street	N/A	99-1234567	
City or town, state or country, and ZIP + 4		5 Month the annual accounting period ends (01 – 12)	
Anytown, MA 00000-1234		06	
6 Primary contact (officer, director, trustee, or authorized representative) a Name:		b Phone: 555-555-5555	
Patty Presider		c Fax: (optional) N/A	
7 Are you represented by an authorized representative, such as an attorney or accountant? If "Yes," provide the authorized representative's name, and the name and address of the authorized representative's firm. Include a completed Form 2848, <i>Power of Attorney and Declaration of Representative</i> , with your application if you would like us to communicate with your representative.		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
8 Was a person who is not one of your officers, directors, trustees, employees, or an authorized representative listed in line 7, paid, or promised payment, to help plan, manage, or advise you about the structure or activities of your organization, or about your financial or tax matters? If "Yes," provide the person's name, the name and address of the person's firm, the amounts paid or promised to be paid, and describe that person's role.		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
9a Organization's website: www.anytownpto.com			
b Organization's email: (optional) anytownpto@xxxx.com			
10 Certain organizations are not required to file an information return (Form 990 or Form 990-EZ). If you are granted tax-exemption, are you claiming to be excused from filing Form 990 or Form 990-EZ? If "Yes," explain. See the instructions for a description of organizations not required to file Form 990 or Form 990-EZ.		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
11 Date incorporated if a corporation, or formed, if other than a corporation. (MM/DD/YYYY)		08 / 05 / 2017	
12 Were you formed under the laws of a foreign country? If "Yes," state the country.		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

Part II Organizational Structure

You must be a corporation (including a limited liability company), an unincorporated association, or a trust to be tax exempt. See instructions. **DO NOT file this form unless you can check "Yes" on lines 1, 2, 3, or 4.**

- 1** Are you a **corporation**? If "Yes," attach a copy of your articles of incorporation showing **certification of filing** with the appropriate state agency. Include copies of any amendments to your articles and be sure they also show state filing certification. ☒ **Yes** ☐ **No**
- 2** Are you a **limited liability company (LLC)**? If "Yes," attach a copy of your articles of organization showing certification of filing with the appropriate state agency. Also, if you adopted an operating agreement, attach a copy. Include copies of any amendments to your articles and be sure they show state filing certification. Refer to the instructions for circumstances when an LLC should not file its own exemption application. ☐ **Yes** ☒ **No**
- 3** Are you an **unincorporated association**? If "Yes," attach a copy of your articles of association, constitution, or other similar organizing document that is dated and includes at least two signatures. Include signed and dated copies of any amendments. ☐ **Yes** ☒ **No**
- 4a** Are you a **trust**? If "Yes," attach a signed and dated copy of your trust agreement. Include signed and dated copies of any amendments. ☐ **Yes** ☒ **No**
- b** Have you been funded? If "No," explain how you are formed without anything of value placed in trust. ☐ **Yes** ☒ **No**
- 5** Have you adopted **bylaws**? If "Yes," attach a current copy showing date of adoption. If "No," explain how your officers, directors, or trustees are selected. ☒ **Yes** ☐ **No**

Part III Required Provisions in Your Organizing Document

The following questions are designed to ensure that when you file this application, your organizing document contains the required provisions to meet the organizational test under section 501(c)(3). Unless you can check the boxes in both lines 1 and 2, your organizing document does not meet the organizational test. **DO NOT file this application until you have amended your organizing document.** Submit your original and amended organizing documents (showing state filing certification if you are a corporation or an LLC) with your application.

- 1** Section 501(c)(3) requires that your organizing document state your exempt purpose(s), such as charitable, religious, educational, and/or scientific purposes. Check the box to confirm that your organizing document meets this requirement. Describe specifically where your organizing document meets this requirement, such as a reference to a particular article or section in your organizing document. Refer to the instructions for exempt purpose language. ☒
- Location of Purpose Clause (Page, Article, and Paragraph): **Page 1, Article 3, Paragraph 1**
- 2a** Section 501(c)(3) requires that upon dissolution of your organization, your remaining assets must be used exclusively for exempt purposes, such as charitable, religious, educational, and/or scientific purposes. Check the box on line 2a to confirm that your organizing document meets this requirement by express provision for the distribution of assets upon dissolution. If you rely on state law for your dissolution provision, do not check the box on line 2a and go to line 2c. ☒
- b** If you checked the box on line 2a, specify the location of your dissolution clause (Page, Article, and Paragraph). Do not complete line 2c if you checked box 2a. **Page 2, Article 7, Paragraph 1**
- c** See the instructions for information about the operation of state law in your particular state. Check this box if you rely on operation of state law for your dissolution provision and indicate the state: ☐

Part IV Narrative Description of Your Activities

Using an attachment, describe your *past*, *present*, and *planned* activities in a narrative. If you believe that you have already provided some of this information in response to other parts of this application, you may summarize that information here and refer to the specific parts of the application for supporting details. You may also attach representative copies of newsletters, brochures, or similar documents for supporting details to this narrative. Remember that if this application is approved, it will be open for public inspection. Therefore, your narrative description of activities should be thorough and accurate. Refer to the instructions for information that must be included in your description.

Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors

- 1a** List the names, titles, and mailing addresses of all of your officers, directors, and trustees. For each person listed, state their total annual **compensation**, or proposed compensation, for all services to the organization, whether as an officer, employee, or other position. Use actual figures, if available. Enter "none" if no compensation is or will be paid. If additional space is needed, attach a separate sheet. Refer to the instructions for information on what to include as compensation.

Name	Title	Mailing address	Compensation amount (annual actual or estimated)
Patty Presider	President	123 Main Street Anytown, MA 00000-1234	none
Susan Second	Vice President	123 Main Street Anytown, MA 00000-1234	none
Nancy Note-Taker	Recording Secretary	123 Main Street Anytown, MA 00000-1234	none
Fiona Finances	Treasurer	123 Main Street Anytown, MA 00000-1234	none

Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors (Continued)

- b** List the names, titles, and mailing addresses of each of your five highest compensated employees who receive or will receive compensation of more than \$50,000 per year. Use the actual figure, if available. Refer to the instructions for information on what to include as compensation. Do not include officers, directors, or trustees listed in line 1a.

Name	Title	Mailing address	Compensation amount (annual actual or estimated)
N/A			

- c** List the names, names of businesses, and mailing addresses of your five highest compensated **independent contractors** that receive or will receive compensation of more than \$50,000 per year. Use the actual figure, if available. Refer to the instructions for information on what to include as compensation.

Name	Title	Mailing address	Compensation amount (annual actual or estimated)
N/A			

The following "Yes" or "No" questions relate to *past, present, or planned* relationships, transactions, or agreements with your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed in lines 1a, 1b, and 1c.

- 2a** Are any of your officers, directors, or trustees **related** to each other through **family** or **business** relationships? If "Yes," identify the individuals and explain the relationship. ☐ Yes ☒ No

- b** Do you have a business relationship with any of your officers, directors, or trustees other than through their position as an officer, director, or trustee? If "Yes," identify the individuals and describe the business relationship with each of your officers, directors, or trustees. ☐ Yes ☒ No

- c** Are any of your officers, directors, or trustees related to your highest compensated employees or highest compensated independent contractors listed on lines 1b or 1c through family or business relationships? If "Yes," identify the individuals and explain the relationship. ☐ Yes ☒ No

- 3a** For each of your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed on lines 1a, 1b, or 1c, attach a list showing their name, qualifications, average hours worked, and duties.

- b** Do any of your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed on lines 1a, 1b, or 1c receive compensation from any other organizations, whether tax exempt or taxable, that are related to you through **common control**? If "Yes," identify the individuals, explain the relationship between you and the other organization, and describe the compensation arrangement. ☐ Yes ☒ No

- 4** In establishing the compensation for your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed on lines 1a, 1b, and 1c, the following practices are recommended, although they are not required to obtain exemption. Answer "Yes" to all the practices you use.

- a** Do you or will the individuals that approve compensation arrangements follow a conflict of interest policy? ☐ Yes ☒ No
- b** Do you or will you approve compensation arrangements in advance of paying compensation? ☐ Yes ☒ No
- c** Do you or will you document in writing the date and terms of approved compensation arrangements? ☐ Yes ☒ No

Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors (Continued)

- d** Do you or will you record in writing the decision made by each individual who decided or voted on compensation arrangements? ☐ Yes ☒ No
- e** Do you or will you approve compensation arrangements based on information about compensation paid by **similarly situated** taxable or tax-exempt organizations for similar services, current compensation surveys compiled by independent firms, or actual written offers from similarly situated organizations? Refer to the instructions for Part V, lines 1a, 1b, and 1c, for information on what to include as compensation. ☐ Yes ☒ No
- f** Do you or will you record in writing both the information on which you relied to base your decision and its source? ☐ Yes ☒ No
- g** If you answered "No" to any item on lines 4a through 4f, describe how you set compensation that is **reasonable** for your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed in Part V, lines 1a, 1b, and 1c. **Compensation is not applicable.**

5a Have you adopted a **conflict of interest policy** consistent with the sample conflict of interest policy in Appendix A to the instructions? If "Yes," provide a copy of the policy and explain how the policy has been adopted, such as by resolution of your governing board. If "No," answer lines 5b and 5c. ☒ Yes ☐ No

- b** What procedures will you follow to assure that persons who have a conflict of interest will not have influence over you for setting their own compensation?
- c** What procedures will you follow to assure that persons who have a conflict of interest will not have influence over you regarding business deals with themselves?

Note: A conflict of interest policy is recommended though it is not required to obtain exemption. Hospitals, see Schedule C, Section I, line 14.

6a Do you or will you compensate any of your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed in lines 1a, 1b, or 1c through **non-fixed payments**, such as discretionary bonuses or revenue-based payments? If "Yes," describe all non-fixed compensation arrangements, including how the amounts are determined, who is eligible for such arrangements, whether you place a limitation on total compensation, and how you determine or will determine that you pay no more than reasonable compensation for services. Refer to the instructions for Part V, lines 1a, 1b, and 1c, for information on what to include as compensation. ☐ Yes ☒ No

- b** Do you or will you compensate any of your employees, other than your officers, directors, trustees, or your five highest compensated employees who receive or will receive compensation of more than \$50,000 per year, through non-fixed payments, such as discretionary bonuses or revenue-based payments? If "Yes," describe all non-fixed compensation arrangements, including how the amounts are or will be determined, who is or will be eligible for such arrangements, whether you place or will place a limitation on total compensation, and how you determine or will determine that you pay no more than reasonable compensation for services. Refer to the instructions for Part V, lines 1a, 1b, and 1c, for information on what to include as compensation. ☐ Yes ☒ No

7a Do you or will you purchase any goods, services, or assets from any of your officers, directors, trustees, highest compensated employees, or highest compensated independent contractors listed in lines 1a, 1b, or 1c? If "Yes," describe any such purchase that you made or intend to make, from whom you make or will make such purchases, how the terms are or will be negotiated at **arm's length**, and explain how you determine or will determine that you pay no more than **fair market value**. Attach copies of any written contracts or other agreements relating to such purchases. ☐ Yes ☒ No

- b** Do you or will you sell any goods, services, or assets to any of your officers, directors, trustees, highest compensated employees, or highest compensated independent contractors listed in lines 1a, 1b, or 1c? If "Yes," describe any such sales that you made or intend to make, to whom you make or will make such sales, how the terms are or will be negotiated at **arm's length**, and explain how you determine or will determine you are or will be paid at least fair market value. Attach copies of any written contracts or other agreements relating to such sales. ☐ Yes ☒ No

8a Do you or will you have any leases, contracts, loans, or other agreements with your officers, directors, trustees, highest compensated employees, or highest compensated independent contractors listed in lines 1a, 1b, or 1c? If "Yes," provide the information requested in lines 8b through 8f. ☐ Yes ☒ No

- b** Describe any written or oral arrangements that you made or intend to make.
- c** Identify with whom you have or will have such arrangements.
- d** Explain how the terms are or will be negotiated at **arm's length**.
- e** Explain how you determine you pay no more than fair market value or you are paid at least fair market value.
- f** Attach copies of any signed leases, contracts, loans, or other agreements relating to such arrangements.

9a Do you or will you have any leases, contracts, loans, or other agreements with any organization in which any of your officers, directors, or trustees are also officers, directors, or trustees, or in which any individual officer, director, or trustee owns more than a 35% interest? If "Yes," provide the information requested in lines 9b through 9f. ☐ Yes ☒ No

Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors (Continued)

- b** Describe any written or oral arrangements you made or intend to make.
- c** Identify with whom you have or will have such arrangements.
- d** Explain how the terms are or will be negotiated at arm's length.
- e** Explain how you determine or will determine you pay no more than fair market value or that you are paid at least fair market value.
- f** Attach a copy of any signed leases, contracts, loans, or other agreements relating to such arrangements.

Part VI Your Members and Other Individuals and Organizations That Receive Benefits From You

The following "Yes" or "No" questions relate to goods, services, and funds you provide to individuals and organizations as part of your activities. Your answers should pertain to *past, present, and planned* activities. See instructions.

- 1a** In carrying out your exempt purposes, do you provide goods, services, or funds to individuals? If "Yes," describe each program that provides goods, services, or funds to individuals. ☒ **Yes** ☐ **No**
- b** In carrying out your exempt purposes, do you provide goods, services, or funds to organizations? If "Yes," describe each program that provides goods, services, or funds to organizations. ☒ **Yes** ☐ **No**
- 2** Do any of your programs limit the provision of goods, services, or funds to a specific individual or group of specific individuals? For example, answer "Yes," if goods, services, or funds are provided only for a particular individual, your members, individuals who work for a particular employer, or graduates of a particular school. If "Yes," explain the limitation and how recipients are selected for each program. ☐ **Yes** ☒ **No**
- 3** Do any individuals who receive goods, services, or funds through your programs have a family or business relationship with any officer, director, trustee, or with any of your highest compensated employees or highest compensated independent contractors listed in Part V, lines 1a, 1b, and 1c? If "Yes," explain how these related individuals are eligible for goods, services, or funds. ☒ **Yes** ☐ **No**

Part VII Your History

The following "Yes" or "No" questions relate to your history. See instructions.

- 1** Are you a **successor** to another organization? Answer "Yes," if you have taken or will take over the activities of another organization; you took over 25% or more of the fair market value of the net assets of another organization; or you were established upon the conversion of an organization from for-profit to nonprofit status. If "Yes," complete Schedule G. ☐ **Yes** ☒ **No**
- 2** Are you submitting this application more than 27 months after the end of the month in which you were legally formed? If "Yes," complete Schedule E. ☐ **Yes** ☒ **No**

Part VIII Your Specific Activities

The following "Yes" or "No" questions relate to specific activities that you may conduct. Check the appropriate box. Your answers should pertain to *past, present, and planned* activities. See instructions.

- 1** Do you support or oppose candidates in **political campaigns** in any way? If "Yes," explain. ☐ **Yes** ☒ **No**
- 2a** Do you attempt to **influence legislation**? If "Yes," explain how you attempt to influence legislation and complete line 2b. If "No," go to line 3a. ☐ **Yes** ☒ **No**
- b** Have you made or are you making an **election** to have your legislative activities measured by expenditures by filing Form 5768? If "Yes," attach a copy of the Form 5768 that was already filed or attach a completed Form 5768 that you are filing with this application. If "No," describe whether your attempts to influence legislation are a substantial part of your activities. Include the time and money spent on your attempts to influence legislation as compared to your total activities. ☐ **Yes** ☒ **No**
- 3a** Do you or will you operate bingo or **gaming** activities? If "Yes," describe who conducts them, and list all revenue received or expected to be received and expenses paid or expected to be paid in operating these activities. **Revenue and expenses** should be provided for the time periods specified in Part IX, Financial Data. ☐ **Yes** ☒ **No**
- b** Do you or will you enter into contracts or other agreements with individuals or organizations to conduct bingo or gaming for you? If "Yes," describe any written or oral arrangements that you made or intend to make, identify with whom you have or will have such arrangements, explain how the terms are or will be negotiated at arm's length, and explain how you determine or will determine you pay no more than fair market value or you will be paid at least fair market value. Attach copies or any written contracts or other agreements relating to such arrangements. ☐ **Yes** ☒ **No**
- c** List the states and local jurisdictions, including Indian Reservations, in which you conduct or will conduct gaming or bingo.

Part VIII Your Specific Activities (Continued)

4a Do you or will you undertake **fundraising**? If "Yes," check all the fundraising programs you do or will conduct. See instructions. ☒ **Yes** ☐ **No**

☒ mail solicitations

☒ email solicitations

☐ personal solicitations

☐ vehicle, boat, plane, or similar donations

☐ foundation grant solicitations

☐ phone solicitations

☒ accept donations on your website

☐ receive donations from another organization's website

☐ government grant solicitations

☒ Other

Attach a description of each fundraising program.

b Do you or will you have written or oral contracts with any individuals or organizations to raise funds for you? If "Yes," describe these activities. Include all revenue and expenses from these activities and state who conducts them. Revenue and expenses should be provided for the time periods specified in Part IX, Financial Data. Also, attach a copy of any contracts or agreements. ☐ **Yes** ☒ **No**

c Do you or will you engage in fundraising activities for other organizations? If "Yes," describe these arrangements. Include a description of the organizations for which you raise funds and attach copies of all contracts or agreements. ☐ **Yes** ☒ **No**

d List all states and local jurisdictions in which you conduct fundraising. For each state or local jurisdiction listed, specify whether you fundraise for your own organization, you fundraise for another organization, or another organization fundraises for you.

e Do you or will you maintain separate accounts for any contributor under which the contributor has the right to advise on the use or distribution of funds? Answer "Yes" if the donor may provide advice on the types of investments, distributions from the types of investments, or the distribution from the donor's contribution account. If "Yes," describe this program, including the type of advice that may be provided and submit copies of any written materials provided to donors. ☐ **Yes** ☒ **No**

5 Are you **affiliated** with a governmental unit? If "Yes," explain. ☐ **Yes** ☒ **No**

6a Do you or will you engage in **economic development**? If "Yes," describe your program. ☐ **Yes** ☒ **No**

b Describe in full who benefits from your economic development activities and how the activities promote exempt purposes.

7a Do or will persons other than your employees or volunteers **develop** your facilities? If "Yes," describe each facility, the role of the developer, and any business or family relationship(s) between the developer and your officers, directors, or trustees. ☐ **Yes** ☒ **No**

b Do or will persons other than your employees or volunteers **manage** your activities or facilities? If "Yes," describe each activity and facility, the role of the manager, and any business or family relationship(s) between the manager and your officers, directors, or trustees. ☐ **Yes** ☒ **No**

c If there is a business or family relationship between any manager or developer and your officers, directors, or trustees, identify the individuals, explain the relationship, describe how contracts are negotiated at arm's length so that you pay no more than fair market value, and submit a copy of any contracts or other agreements.

8 Do you or will you enter into **joint ventures**, including partnerships or **limited liability companies** treated as partnerships, in which you share profits and losses with partners other than section 501(c)(3) organizations? If "Yes," describe the activities of these joint ventures in which you participate. ☐ **Yes** ☒ **No**

9a Are you applying for exemption as a childcare organization under section 501(k)? If "Yes," answer lines 9b through 9d. If "No," go to line 10. ☐ **Yes** ☒ **No**

b Do you provide childcare so that parents or caretakers of children you care for can be **gainfully employed** (see instructions)? If "No," explain how you qualify as a childcare organization described in section 501(k). ☐ **Yes** ☒ **No**

c Of the children for whom you provide childcare, are 85% or more of them cared for by you to enable their parents or caretakers to be gainfully employed (see instructions)? If "No," explain how you qualify as a childcare organization described in section 501(k). ☐ **Yes** ☒ **No**

d Are your services available to the general public? If "No," describe the specific group of people for whom your activities are available. Also, see the instructions and explain how you qualify as a childcare organization described in section 501(k). ☐ **Yes** ☒ **No**

10 Do you or will you publish, own, or have rights in music, literature, tapes, artworks, choreography, scientific discoveries, or other **intellectual property**? If "Yes," explain. Describe who owns or will own any copyrights, patents, or trademarks, whether fees are or will be charged, how the fees are determined, and how any items are or will be produced, distributed, and marketed. ☐ **Yes** ☒ **No**

Part VIII Your Specific Activities (Continued)

- 11** Do you or will you accept contributions of: real property; conservation easements; closely held securities; intellectual property such as patents, trademarks, and copyrights; works of music or art; licenses; royalties; automobiles, boats, planes, or other vehicles; or collectibles of any type? If "Yes," describe each type of contribution, any conditions imposed by the donor on the contribution, and any agreements with the donor regarding the contribution. ☐ Yes ☒ No
-
- 12a** Do you or will you operate in a **foreign country** or **countries**? If "Yes," answer lines 12b through 12d. If "No," go to line 13a. ☐ Yes ☒ No
- b** Name the foreign countries and regions within the countries in which you operate.
- c** Describe your operations in each country and region in which you operate.
- d** Describe how your operations in each country and region further your exempt purposes.
-
- 13a** Do you or will you make grants, loans, or other distributions to organization(s)? If "Yes," answer lines 13b through 13g. If "No," go to line 14a. ☒ Yes ☐ No
- b** Describe how your grants, loans, or other distributions to organizations further your exempt purposes.
- c** Do you have written contracts with each of these organizations? If "Yes," attach a copy of each contract. ☐ Yes ☒ No
- d** Identify each recipient organization and any **relationship** between you and the recipient organization.
- e** Describe the records you keep with respect to the grants, loans, or other distributions you make.
- f** Describe your selection process, including whether you do any of the following.
- (i)** Do you require an application form? If "Yes," attach a copy of the form. ☐ Yes ☒ No
- (ii)** Do you require a grant proposal? If "Yes," describe whether the grant proposal specifies your responsibilities and those of the grantee, obligates the grantee to use the grant funds only for the purposes for which the grant was made, provides for periodic written reports concerning the use of grant funds, requires a final written report and an accounting of how grant funds were used, and acknowledges your authority to withhold and/or recover grant funds in case such funds are, or appear to be, misused. ☐ Yes ☒ No
- g** Describe your procedures for oversight of distributions that assure you the resources are used to further your exempt purposes, including whether you require periodic and final reports on the use of resources.
-
- 14a** Do you or will you make grants, loans, or other distributions to foreign organizations? If "Yes," answer lines 14b through 14f. If "No," go to line 15. ☐ Yes ☒ No
- b** Provide the name of each foreign organization, the country and regions within a country in which each foreign organization operates, and describe any relationship you have with each foreign organization.
- c** Does any foreign organization listed in line 14b accept contributions earmarked for a specific country or specific organization? If "Yes," list all earmarked organizations or countries. ☐ Yes ☒ No
- d** Do your contributors know that you have ultimate authority to use contributions made to you at your discretion for purposes consistent with your exempt purposes? If "Yes," describe how you relay this information to contributors. ☐ Yes ☒ No
- e** Do you or will you make pre-grant inquiries about the recipient organization? If "Yes," describe these inquiries, including whether you inquire about the recipient's financial status, its tax-exempt status under the Internal Revenue Code, its ability to accomplish the purpose for which the resources are provided, and other relevant information. ☐ Yes ☒ No
- f** Do you or will you use any additional procedures to ensure that your distributions to foreign organizations are used in furtherance of your exempt purposes? If "Yes," describe these procedures, including site visits by your employees or compliance checks by impartial experts, to verify that grant funds are being used appropriately. ☐ Yes ☒ No

Part VIII Your Specific Activities *(Continued)*

- | | | | |
|-----------|--|--|---|
| 15 | Do you have a close connection with any organizations? If "Yes," explain. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 16 | Are you applying for exemption as a cooperative hospital service organization under section 501(e)? If "Yes," explain. | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 17 | Are you applying for exemption as a cooperative service organization of operating educational organizations under section 501(f)? If "Yes," explain. | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 18 | Are you applying for exemption as a charitable risk pool under section 501(n)? If "Yes," explain. | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 19 | Do you or will you operate a school ? If "Yes," complete Schedule B. Answer "Yes," whether you operate a school as your main function or as a secondary activity. | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 20 | Is your main function to provide hospital or medical care ? If "Yes," complete Schedule C. | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 21 | Do you or will you provide low-income housing or housing for the elderly or handicapped ? If "Yes," complete Schedule F. | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 22 | Do you or will you provide scholarships, fellowships, educational loans, or other educational grants to individuals, including grants for travel, study, or other similar purposes? If "Yes," complete Schedule H. | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Note: **Private foundations** may use Schedule H to request advance approval of individual grant procedures.

Part IX Financial Data

For purposes of this schedule, years in existence refer to completed tax years.

- If in existence less than 5 years, complete the statement for each year in existence and provide projections of your likely revenues and expenses based on a reasonable and good faith estimate of your future finances for a total of:
 - Three years of financial information if you have not completed one tax year, or
 - Four years of financial information if you have completed one tax year. See instructions.
- If in existence 5 or more years, complete the schedule for the most recent 5 tax years. You will need to provide a separate statement that includes information about the most recent 5 tax years because the data table in Part IX has not been updated to provide for a 5th year. See instructions.

A. Statement of Revenues and Expenses

	Type of revenue or expense	Current tax year	3 prior tax years or 2 succeeding tax years			(e) Provide Total for (a) through (d)
		(a) From <u>8/2017</u> To <u>6/2018</u>	(b) From <u>7/2018</u> To <u>6/2019</u>	(c) From <u>7/2019</u> To <u>6/2020</u>	(d) From _____ To _____	
Revenues	1 Gifts, grants, and contributions received (do not include unusual grants)	150	200	300		650
	2 Membership fees received	1,000	2,000	2,500		5,500
	3 Gross investment income	0	0	0		0
	4 Net unrelated business income	0	0	0		0
	5 Taxes levied for your benefit	0	0	0		0
	6 Value of services or facilities furnished by a governmental unit without charge (not including the value of services generally furnished to the public without charge)	0	0	0		0
	7 Any revenue not otherwise listed above or in lines 9–12 below (attach an itemized list)	0	0	0		0
	8 Total of lines 1 through 7	1,150	2,200	2,800		6,150
	9 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to your exempt purposes (attach itemized list)	36,500	40,500	43,700		120,700
	10 Total of lines 8 and 9	37,650	42,700	46,500		126,850
	11 Net gain or loss on sale of capital assets (attach schedule and see instructions)	0	0	0		0
	12 Unusual grants	0	0	0		0
	13 Total Revenue Add lines 10 through 12	37,650	42,700	46,500		126,850
Expenses	14 Fundraising expenses	21,100	23,100	24,800		
	15 Contributions, gifts, grants, and similar amounts paid out (attach an itemized list)	300	350	350		
	16 Disbursements to or for the benefit of members (attach an itemized list)	0	0	0		
	17 Compensation of officers, directors, and trustees	0	0	0		
	18 Other salaries and wages	0	0	0		
	19 Interest expense	0	0	0		
	20 Occupancy (rent, utilities, etc.)	0	0	0		
	21 Depreciation and depletion	0	0	0		
	22 Professional fees	0	0	0		
	23 Any expense not otherwise classified, such as program services (attach itemized list)	11,320	13,320	14,820		
	24 Total Expenses Add lines 14 through 23	32,720	36,770	39,970		

Part IX Financial Data (Continued)**B. Balance Sheet (for your most recently completed tax year)**

		Year End: 12/2017
		(Whole dollars)
Assets		
1	Cash	1 5
2	Accounts receivable, net	2 0
3	Inventories	3 0
4	Bonds and notes receivable (attach an itemized list)	4 0
5	Corporate stocks (attach an itemized list)	5 0
6	Loans receivable (attach an itemized list)	6 0
7	Other investments (attach an itemized list)	7 0
8	Depreciable and depletable assets (attach an itemized list)	8 0
9	Land	9 0
10	Other assets (attach an itemized list)	10 0
11	Total Assets (add lines 1 through 10)	11 500
Liabilities		
12	Accounts payable	12 0
13	Contributions, gifts, grants, etc. payable	13 0
14	Mortgages and notes payable (attach an itemized list)	14 0
15	Other liabilities (attach an itemized list)	15 0
16	Total Liabilities (add lines 12 through 15)	16 0
Fund Balances or Net Assets		
17	Total fund balances or net assets	17 500
18	Total Liabilities and Fund Balances or Net Assets (add lines 16 and 17)	18 500
19	Have there been any substantial changes in your assets or liabilities since the end of the period shown above? If "Yes," explain. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

Part X Public Charity Status

Part X is designed to classify you as an organization that is either a **private foundation** or a **public charity**. Public charity status is a more favorable tax status than private foundation status. If you are a private foundation, Part X is designed to further determine whether you are a **private operating foundation**. See instructions.

1a Are you a private foundation? If "Yes," go to line 1b. If "No," go to line 5 and proceed as instructed. If you are unsure, see the instructions. ☐ Yes ☒ No

b As a private foundation, section 508(e) requires special provisions in your organizing document in addition to those that apply to all organizations described in section 501(c)(3). Check the box to confirm that your organizing document meets this requirement, whether by express provision or by reliance on operation of state law. Attach a statement that describes specifically where your organizing document meets this requirement, such as a reference to a particular article or section in your organizing document or by operation of state law. See the instructions, including Appendix B, for information about the special provisions that need to be contained in your organizing document. Go to line 2. ☐

2 Are you a private operating foundation? To be a private operating foundation you must engage directly in the active conduct of charitable, religious, educational, and similar activities, as opposed to indirectly carrying out these activities by providing grants to individuals or other organizations. If "Yes," go to line 3. If "No," go to the signature section of Part XI. ☐ Yes ☐ No

3 Have you existed for one or more years? If "Yes," attach financial information showing that you are a private operating foundation; go to the signature section of Part XI. If "No," continue to line 4. ☐ Yes ☐ No

4 Have you attached either (1) an affidavit or opinion of counsel, (including a written affidavit or opinion from a certified public accountant or accounting firm with expertise regarding this tax law matter), that sets forth facts concerning your operations and support to demonstrate that you are likely to satisfy the requirements to be classified as a private operating foundation; or (2) a statement describing your proposed operations as a private operating foundation? ☐ Yes ☐ No

5 If you answered "No" to line 1a, indicate the type of public charity status you are requesting by checking one of the choices below. You may check only one box.

The organization is not a private foundation because it is:

a 509(a)(1) and 170(b)(1)(A)(i)—a church or a convention or association of churches. Complete and attach Schedule A. ☐

b 509(a)(1) and 170(b)(1)(A)(ii)—a **school**. Complete and attach Schedule B. ☐

c 509(a)(1) and 170(b)(1)(A)(iii)—a **hospital**, a cooperative hospital service organization, or a medical research organization operated in conjunction with a hospital. Complete and attach Schedule C. ☐

d 509(a)(3)—an organization supporting either one or more organizations described in line 5a through c, f, h, or i or a publicly supported section 501(c)(4), (5), or (6) organization. Complete and attach Schedule D. ☐

Part X Public Charity Status (Continued)

- e 509(a)(4) – an organization organized and operated exclusively for testing for public safety. ☐
- f 509(a)(1) and 170(b)(1)(A)(iv) – an organization operated for the benefit of a college or university that is owned or operated by a governmental unit. ☐
- g 509(a)(1) and 170(b)(1)(A)(ix) – an agricultural research organization directly engaged in the continuous active conduct of agricultural research in conjunction with a college or university. ☐
- h 509(a)(1) and 170(b)(1)(A)(vi) – an organization that receives a substantial part of its financial support in the form of contributions from publicly supported organizations, from a governmental unit, or from the general public. ☐
- i 509(a)(2) – an organization that normally receives not more than one-third of its financial support from gross **investment income** and receives more than one-third of its financial support from contributions, membership fees, and gross receipts from activities related to its exempt functions (subject to certain exceptions). ☐
- j A publicly supported organization, but unsure if it is described in 5h or 5i. You would like the IRS to decide the correct status. ☒
-
- 6 If you checked box h, i, or j in question 5 above, and you have been in existence more than 5 years, you must confirm your public support status. Answer line 6a if you checked box h in line 5 above. Answer line 6b if you checked box i in line 5 above. If you checked box j in line 5 above, answer both lines 6a and 6b.
- a (i) Enter 2% of line 8, column (e) on Part IX-A Statement of Revenues and Expenses _____
- (ii) Attach a list showing the name and amount contributed by each person, company, or organization whose gifts totaled more than the 2% amount. If the answer is "None," state this.
- b (i) For each year amounts are included on lines 1, 2, and 9 of Part IX-A Statement of Revenues and Expenses, attach a list showing the name and amount received from each **disqualified person**. If the answer is "None," state this.
- (ii) For each year amounts were included on line 9 of Part IX-A Statement of Revenues and Expenses, attach a list showing the name of and amount received from each payer, other than a disqualified person, whose payments were more than the larger of (1) 1% of Line 10, Part IX-A Statement of Revenues and Expenses, or (2) \$5,000. If the answer is "None," state this.
-
- 7 Did you receive any unusual grants during any of the years shown on Part IX-A Statement of Revenues and Expenses? If "Yes," attach a list including the name of the contributor, the date and amount of the grant, a brief description of the grant, and explain why it is unusual. ☐ Yes ☒ No

Part XI User Fee Information and Signature

You must include the correct user fee payment with this application. If you do not submit the correct user fee, we will not process the application and we will return it to you. Your check or money order must be made payable to the United States Treasury. User fees are subject to change. Check our website at www.irs.gov and type "Exempt Organizations User Fee" in the search box, or call Customer Account Services at 1-877-829-5500 for current information.

Enter the amount of the user fee paid: \$600

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, including the accompanying schedules and attachments, and to the best of my knowledge it is true, correct, and complete.

Please
Sign
Here

(Signature of Officer, Director, Trustee, or other authorized official)

Patty Presider

(Type or print name of signer)

President

(Type or print title or authority of signer)

01/15/2018

(Date)

Form 1023 Checklist

(Revised December 2017)

Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code

Note: Retain a copy of the completed Form 1023 in your permanent records. Refer to the General Instructions regarding Public Inspection of approved applications.

Check each box to finish your application (Form 1023). Send this completed Checklist with your filled-in application. If you have not answered all the items below, your application may be returned to you as incomplete.

- ☒ Assemble the application and materials in this order.
- Form 1023 Checklist
 - Form 2848, *Power of Attorney and Declaration of Representative* (if filing)
 - Form 8821, *Tax Information Authorization* (if filing)
 - Expedite request (if requesting)
 - Application (Form 1023 and Schedules A through H, as required)
 - Articles of organization
 - Amendments to articles of organization in chronological order
 - Bylaws or other rules of operation and amendments
 - Documentation of nondiscriminatory policy for schools, as required by Schedule B
 - Form 5768, *Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation* (if filing)
 - All other attachments, including explanations, financial data, and printed materials or publications. Label each page with name and EIN.
- ☒ User fee payment placed in envelope on top of checklist. DO NOT STAPLE or otherwise attach your check or money order to your application. Instead, just place it in the envelope.
- ☒ Employer Identification Number (EIN)
- ☒ Completed Parts I through XI of the application, including any requested information and any required Schedules A through H.
- You must provide specific details about your past, present, and planned activities.
 - Generalizations or failure to answer questions in the Form 1023 application will prevent us from recognizing you as tax exempt.
 - Describe your purposes and proposed activities in specific easily understood terms.
 - Financial information should correspond with proposed activities.
- ☐ Schedules. Submit only those schedules that apply to you and check either "Yes" or "No" below.
- | | | | | | | | | | |
|------------|-----|-----|----|---|------------|-----|-----|----|---|
| Schedule A | Yes | ___ | No | ✓ | Schedule E | Yes | ___ | No | ✓ |
| Schedule B | Yes | ___ | No | ✓ | Schedule F | Yes | ___ | No | ✓ |
| Schedule C | Yes | ___ | No | ✓ | Schedule G | Yes | ___ | No | ✓ |
| Schedule D | Yes | ___ | No | ✓ | Schedule H | Yes | ___ | No | ✓ |

- ☒ An exact copy of your complete articles of organization (creating document). Absence of the proper purpose and dissolution clauses is the number one reason for delays in the issuance of determination letters.
 - Location of Purpose Clause from Part III, line 1 (Page, Article and Paragraph Number) Page 1, Article 3, Para 1
 - Location of Dissolution Clause from Part III, line 2b or 2c (Page, Article and Paragraph Number) or by operation of state law Page 2, Article 7, Para 1
- ☒ Signature of an officer, director, trustee, or other official who is authorized to sign the application.
 - Signature at Part XI of Form 1023.
- ☒ Your name on the application must be the same as your legal name as it appears in your articles of organization.

Send completed Form 1023, user fee payment, and all other required information, to:

Internal Revenue Service
Attention: EO Determination Letters
Stop 31
P.O. Box 12192
Covington, KY 41012-0192

If you are using express mail or a delivery service, send Form 1023, user fee payment, and attachments to:

Internal Revenue Service
Attention: EO Determination Letters
Stop 31
201 West Rivercenter Boulevard
Covington, KY 41011

The IRS says your PTO may operate as though your application has been approved while you're waiting for a response.

When the IRS approves your application, you'll receive a letter mailed to the address listed in Part I. This "determination letter" is proof that your group is now a federally registered tax-exempt charity under section 501(c)(3) of the Internal Revenue Code. Make several copies of the entire letter and file them with the president, treasurer, and principal. Keep the original with all other official organizing documents (usually in the president's possession).

You don't receive a specific tax exemption number or any sort of certificate from the IRS, just the determination letter. Depending on your state, you may need to provide a copy of the determination letter to qualify for exemption from state sales tax. Some states require an additional application for sales tax exemption; check with your state department of commerce for details.

Your next contact with the IRS will be the submission of your PTO's annual tax information return, one of the Form 990-series. You must file this tax return on time, every year, even though you don't pay any federal taxes. PTOs with annual gross receipts of \$50,000 or less may file the very quick Form 990-N. Larger PTOs (those with \$50,001 up to \$200,000 in gross receipts) must file Form 990-EZ. The form is due by the 15th day of the fifth month after the end of your fiscal year. More information on filing your annual information returns, including line-by-line descriptions, can be found in the [Treasurer's Toolkit](#).



LEARN MORE

Form 990-series Filing
Date Cheat Sheet

Fiscal year ends:	Filing due date:
May 31	Oct. 15
June 30	Nov. 15
July 31	Dec. 15
Aug. 31	Jan. 15

www.irs.gov/forms-instructions

(download all forms referenced in this guide along with complete instructions; for 501(c)(3) forms, search "Form 1023" or "Form 1023-EZ")

[StayExempt](#) (IRS website specifically designed for organizations to learn about applying for—and maintaining—their federal tax-exempt status)



Chapter 6:

Financial First Steps

Organizing and protecting your finances is an important part of setting up your parent group. You will need to:

1. **Decide who will be authorized to sign checks.**
2. **Open a bank account.**
3. **Set up a bookkeeping system.**

Signing the Checks

We recommend that you authorize two people to sign the checks for your organization (typically the treasurer and the president). One reason is convenience. If the treasurer is on vacation and the book club vendor needs a deposit today, you don't want to be stuck.

The other reason is accountability. For the protection of your group and the people responsible for keeping track of the group's finances, it isn't wise to have one person with sole control of the money.

If you have enough volunteers, it's ideal to have cotreasurers, or a treasurer and an assistant; one writes the checks, the other balances the checkbook.



TWICE IS NICE

It's a good idea to **require two signatures on checks over a certain dollar amount** (set by your group in the standing rules or bylaws). Some groups even require two signatures on **all** checks. While it may not be an official banking requirement, your group can still set this policy in its standing rules.

Opening a Bank Account

Once you've decided who will handle the finances, it's time to open a checking account at your local bank.

Make sure the bank's location and teller hours are convenient. Lots of fundraisers mean lots of deposits.

Ask whether the bank will reduce or waive fees for local nonprofits.

Find out whether the branch has a mechanical coin counter. (Just count a few hundred dollars in change from a spring fair or a coin drive and you'll understand.)

Use your group's employer identification number (EIN) on all accounts (Chapter 2).

Use the school's address whenever you can. Home addresses can become problematic when a key leader moves on to another school or district.

Never keep group funds in a member's personal account, even temporarily. It's too easy to "forget" whose money is whose, and it puts both the group's and the individual's funds in jeopardy.

Keeping the Books

As soon as you've elected someone as treasurer, have her set up a system for keeping track of the group's finances. Even before the beginning of the school year, you may have seed money from a summer fundraiser or membership dues coming in. The sooner you have a system in place for keeping accounts, the less chance for confusion later on. Start by implementing a few important financial controls:

- 1. Make sure your bank statements are delivered to and reviewed by someone other than the treasurer.** The person who writes the checks *should not* be the first person to receive the bank statement. This is a crucial safeguard against theft, and it's much easier to institute it as a policy from the start than to tell the treasurer later on that you want someone else to look at the bank statements.
- 2. Create a paper trail for all transactions,** including reimbursements and small expenditures. Don't be casual about handling the cash.
- 3. Reconcile your account monthly.** It's important to review each transaction on a monthly basis to spot any mistakes before they cause problems.

4. Require a monthly report from the treasurer. Even if you don't have monthly general meetings, the board should be updated on the group's financial situation each month.

5. Conduct an annual financial review. Form a committee (*not* including your treasurer) or hire an accountant to review and reconcile the books at the end of each year.

You're entrusted with parent group funds, and we've seen far too many cases of lax accounting practices leading to missing funds from parent group accounts. Smart systems aren't that time-consuming, and they're well worth the effort.

Financial Next Steps

Obtaining Licenses and Permits

Check with your state licensing agency for information on whether your parent group needs any special licenses. For example, some states require a sales tax permit if you'll be selling anything to consumers. In those states, you would need a license to sell spiritwear, for example.

Getting Insurance

Many parent group leaders think their groups don't need insurance. They assume parent group activities are covered by any policy held by the school or district.

In fact, most parent group activities aren't covered under school insurance. There are several reasons why we recommend that your group purchase its own insurance policy. Read Appendix A, "Are You Covered?" for insight on the types of coverage you need and why. ➡



LEARN MORE

[5 Smart Financial Controls](#)

[Treasurer's Toolkit](#)



Appendix A:

Are You Covered?

Too many parent groups are putting themselves (and their leaders) at risk by forgoing insurance coverage. Our experts can walk you through the fine print and the next steps.

by Vanessa Parks

With three-legged races, popcorn machines, and more, most PTO volunteers see a carnival as a festive way to boost school spirit, raise some money, and, of course, have a little fun. But from where insurance providers sit, that same carnival looks more like a little shop of horrors.

The three-legged race? A chance for someone to get hurt, perhaps seriously. The popcorn machine? A fire hazard.

From the big endeavors like buying playgrounds to the seemingly innocuous ones like allowing students to buy inexpensive gifts at a holiday shop, the experts see trouble. Someone could fall off one of those swings, choke on one of those gift items. They're not being hysterical or alarmist. Those things—while infrequent—have happened.

PTOs and PTAs should be insured, not only to protect against injuries and damages at events that they sponsor but also to protect themselves against embezzlers. Even if the parent group itself is short on cash, someone filing a lawsuit may decide to name officers who seem to have more personal assets.

Many volunteers seem to take a head-in-the-sand approach, thinking, "Well, I'm a volunteer so I can't be sued" or "We're just a simple parent group. Who would embezzle from us?" The trouble is that anyone can be sued, and parent groups across the country have been victims of theft more times than we care to remember. Lawsuits require attorneys (at \$200 per hour). Missing funds can be terribly difficult to replace.

And while many parent group leaders assume (or are told by a school administrator) that their group is covered by a school or district insurance policy, experts strongly recommend that parent leaders confirm that assumption before taking a large risk.

Do We Really Need Insurance?

Melissa Repetski, outgoing president of the Boyette Springs Elementary PTA in Riverview, Fla., considers insurance “a must.”

“I’d be scared to hold an activity without it,” she says. Because the state PTA encourages local groups to take out insurance, the Boyette Springs group has a liability policy that costs about \$300 a year and has bonded its president and treasurer at approximately an additional \$100 a year. “With all the cases of embezzlement going around, I see the point,” Repetski says.

The fact is that anyone can sue anyone else at any time. While not all suits have merit, in this increasingly litigious time, a modest insurance investment can certainly lead to peace of mind and—if the worst case does happen—protection.

Because insurance is regulated by states and not by the federal government, the rules vary from state to state. In some states, for instance, school districts are specifically forbidden from covering PTO events under their insurance. In other states, the decision is left up to the school districts.

The best way to find out whether your parent organization is covered under the school’s policy is to ask the school district’s business manager. Be specific; if your group *is* covered by a school policy, ask what that includes—parent group meetings, family events such as carnivals, and so forth—and whether it applies to activities on or off school grounds.

Your best bet, though, is to ask for written confirmation of coverage from the district’s insurer. If you can’t get proof of coverage during good times, what will happen on that dark day when an accident happens?

Which Policies Should We Purchase?

Once a parent teacher organization has made the decision to purchase insurance, there are several things to look for. The [PTO Today Plus insurance program](#), which has a particular focus on all types of coverage for school parent-teacher groups, offers five different options.

General liability insurance covers injuries that occur at events sponsored by your parent group. On general liability policies, be sure that all volunteers are covered.

The second type of coverage is **excess accident medical coverage**, which helps avoid lawsuits by paying for out-of-pocket medical expenses if someone is injured. Excess accident medical insurance provides excess medical coverage to participants at PTO-sponsored events if someone is injured. The coverage pays for medical expenses beyond those covered by any primary medical insurance that the participant (or the participant's guardian, in the case of a minor) may have in place.

The third category is **directors and officers liability coverage**. Officers liability coverage is truly an investment in the leaders of your group. These leaders who put in so much volunteer time are also exposing themselves to greater risk. Their decisions as leaders could be called into question in a lawsuit ("Why did you decide to use that vendor?"), and D&O insurance is designed to protect them in that case.

Next is **crime coverage**, which protects from embezzlement or theft of the parent group's money. Some policies require the treasurer and/or president to be named individually each year, but blanket policies (such as that offered through PTO Today's insurance program) don't require that.

Finally, there's **property coverage**, which protects parent group property, including fundraising merchandise, against damage or loss due to theft or natural disasters as long as the property is stored at school in a locked area. If that copier you purchase for your PTO is ruined in a flood or that \$20,000 shipment of candy melts due to a refrigerator power outage, then your relatively inexpensive property coverage could come in handy.

The PTO Today Plus Advantage

PTO Today Plus member groups have a great option through the PTO Today Plus Parent Group Insurance Program. Access to this comprehensive insurance package is a key benefit of PTO Today Plus membership. Most PTO Today Plus members save more on insurance alone than the cost of an annual membership fee.

PTO Today has partnered with a carrier that's been rated A by A.M. Best, an independent, third-party organization that rates financial and insurance institutions.

It's a compelling program and a wise investment. Insuring your group, your volunteers and your leaders means that you're serious about your

parent group work. Your volunteers—and especially your leaders—are putting their hearts and souls into your PTO, and they shouldn't be faced with a personal liability should the worst occur. And a quick review of PTO news in recent years shows clearly that no group is immune from the dangers of theft or embezzlement.

Being a PTO or a PTA or any other kind of community group is no shield against a lawsuit or a loss. Insurance protection—especially at a group-discounted price—can make all the difference.

Want more information about insurance? You can find out more about the PTO Today Plus insurance program at PTOtoday.com/insurance.

Appendix B:

Applying for Tax-Exempt Status Using IRS Form 1023

The application for tax exemption is called IRS Form 1023. The form intimidates many PTO leaders because it appears so long and laborious. In total, Form 1023 has 28 pages of directions and blanks to fill in. It's enough to send a would-be applicant running for the hills.

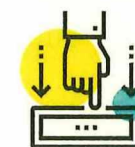
It shouldn't be too difficult if you follow our line-by-line advice, though—the form is written to accommodate many different types of nonprofits (big, small, simple, complex) and thus appears complicated. PTOs are typically smaller and less complex than the average nonprofit. As a result, PTOs can have a relatively easy time completing Form 1023.

Although you still have to answer “no” or “N/A,” it's a nice feeling to pass quickly through the questions designed for more complex nonprofits. In fact, of the eight complex attachments the IRS calls “schedules,” there is only one your group may ever have to complete. Parent groups doing common parent group work should have a fairly easy time with the Form 1023 process using the instructions here as a guide.

When you file your application, don't forget to include a copy of your filed articles of incorporation. While an unincorporated group can get federal tax-exempt status, we don't recommend it, and the instructions in this section refer specifically to incorporated groups applying for tax-exempt status.

The next part of this section walks you through each line on Form 1023. You *can* fill it out without an attorney's help. If there's a problem, the IRS will let you know and will ask you to resubmit the form. If you have an attorney associated with your group or just wish to be doubly sure of your efforts, feel free to consult with her in this process. In our experience, though, PTOs that follow the steps listed here have success with the IRS even on their own.

As you complete Form 1023, you'll notice there are many places where the IRS asks you to “explain” or “describe.” These answers should be typed on standard 8.5-by-11 white paper and included as a set of attachments



APPENDIX B TOOLS

- Sample Articles of Incorporation
- Complete Sample Bylaws
- Conflict of Interest Policy
- Form 1023 Completed Sample
- Form 1023 Statement of Revenues and Expenses
- Form 1023 Supporting Attachments List

to your application. You may include more than one answer per page, but keep answers in numerical order to simplify the IRS reviewer's job.

Alternately, the Interactive Form 1023 offers pop-up windows for most attachments, which you can complete without having to leave the 1023 application system, as well as automatically calculating numeric fields. It has exactly the same questions as the standard PDF Form 1023.

If you type attachments, indicate the following at the top of every page:

- Your group's official name
- Your group's EIN
- The applicable part or line number

A list of attachments required for the typical PTO is included with this toolkit. In addition, the IRS provides an official Form 1023 checklist to help ensure that you have all the required components of the application in your packet before mailing. **The IRS checklist must be included in your application packet.**

Form 1023, Line by Line

If you're using the standard Form 1023, when you sit down to prepare your final draft of Form 1023, use the PDF as an electronic fill-in-the-blanks form. The form won't do any calculations or validation for you, but it will enable you to create a neat, typed application. You can also begin working on the form, save it to your computer, and then return to it later if you can't complete it in one sitting.

You must answer every question in the *body* of the application, even if you're just indicating "no" or "N/A," unless you're specifically instructed to skip a question. However, you should disregard any *schedules* that aren't applicable to your parent group.



BEST PRACTICE

The key to a successful federal tax-exempt determination (this is what the IRS calls approval of your application) is to provide just enough information in your application. Too much information gives the IRS examiner more openings to ask questions. Too little and the examiner can't make a determination. Follow our lead to avoid giving too much or too little information.

Part I: Identification of Applicant

1-3. Your organizing document is your articles of incorporation. The mailing address is the address where you want correspondence to be sent, usually the school's address.

4. Your EIN is the equivalent of a social security number for a business entity and will be a key ID number for opening bank accounts and the like. You'll need an EIN even if you'll never have employees. As noted in Chapter 2 of this guide, getting an EIN should be a first step in your organizational process. You can't file Form 1023 unless you have an EIN.

5. You may not have considered the concept of a fiscal year (also called a financial or accounting year) for your group before, but now is the time to think about it. Typically, the fiscal year matches the business cycle or term of office. For a parent group, it probably makes the most sense to align your fiscal year with the date your new officers take over. So if your leaders take office on July 1, your fiscal year runs July 1 to June 30, and the answer to Line 5 is "06" to signify June, because June 30 marks the end of your fiscal year.

6. All correspondence from the IRS will go to this person at the address on Line 3. It's important to update your primary contact information whenever your officers change. You can do this on your annual Form 990 tax information return.

7-8. Check "no" on both lines.

9a-9b. You aren't required to have a website or email address. Use "N/A" if you don't have a website or organizational email address.

10. Most groups will answer "no" because they will file Form 990, Form 990-EZ, or Form 990-N.

11. This date must be the same as the date your articles of incorporation were certified by your state.

12. Check "no."

Note: At the top of page 2 and all following pages of the form, fill in your organization's name and EIN in the space provided.

Part II: Organizational Structure

Although it's possible to receive tax-exempt status without being a

corporation, we strongly encourage parent groups to incorporate in their state before applying for 501(c)(3) status. When you incorporate, your group is a brand-new organization in the eyes of the IRS, regardless of how long you existed prior to incorporation. The date of incorporation is the “date of birth” of your organization, so you have no financial or operational history as far as the IRS is concerned. If you recently incorporated, your Form 1023 will reflect your present and your future plans, but not your past.

1. Check “yes.” Attach a complete copy of your articles of incorporation with certification of filing with the state. Be certain your articles include the exact provisions listed in Part III of Form 1023. Your application will be denied if these provisions are absent.

2-3. Check “no” on both lines.

4a-4b. Check “no” on both lines.

5. Check “yes.” Attach a complete copy of your bylaws, showing the date of adoption. If your group is newly incorporated, you should formally readopt your bylaws after your incorporation date because your group is considered a brand-new organization starting with incorporation.

Note: While it’s possible to submit Form 1023 before adopting bylaws, we don’t recommend it. Having a decent set of bylaws is one indication that a parent group is ready to take this next step of formally applying for tax-exemption. A parent group that isn’t governed by bylaws may not be ready to take on the responsibilities of 501(c)(3) status.

Part III: Required Provisions in Your Organizing Document

As the introduction to this section clearly states, don’t file this application unless your articles of incorporation include the proper language explaining your purpose and what happens upon dissolution of your group. See the sample articles of incorporation included with this toolkit for examples of valid purpose and dissolution statements.

1. Check the box and fill in page, article, and paragraph as requested.

2a-2c. Check the box on Line **2a**, fill in the page, article, and paragraph as requested on Line **2b**, and skip Line **2c**, unless you operate in one of the following states: **Arkansas, California, Louisiana, Massachusetts, Minnesota, Missouri, Ohio, or Oklahoma.**

If you operate in one of these states, you don't need to include a dissolution clause in your articles of incorporation because state law governs distribution of assets. In this case, skip Lines **2a** and **2b**, check the box on **2c**, and fill in your state.

Part IV: Narrative Description of Your Activities

According to the IRS, failing to provide enough information in this section is a common mistake groups make. You need to provide enough information to show how your exempt purpose is achieved through your past, present, and firmly planned future activities. The IRS requires that you separate past, present, and future activities into separate pages. Start a new page for each section. If your group is newly incorporated, describe only your current and firmly planned future activities, not your past ones. Be specific yet concise in this important attachment.

This information could be presented in a spreadsheet format. Include answers to the following questions:

- What is the activity?
- Who conducts the activity?
- When is the activity conducted?
- Where is the activity conducted?
- How does it further your exempt purpose?
- What percentage of your group's total time is allocated to the activity?
- How is the activity funded?

You can also attach samples of materials that help describe how you advance your exempt purpose, such as newsletters, flyers, and handouts.

Part V: Compensation and Other Financial Arrangements...

1a. List your officers as requested. The IRS is looking for key officers here, not every title under the sun. You can use the school's address as the mailing address for each officer. Generally, board members of nonprofits (especially parent groups) serve without compensation. Although it isn't illegal to compensate board members, doing so will most likely cause scrutiny from the IRS. If your group now has or ever will have paid employees, then we strongly recommend that you consult an attorney and

an accountant who specialize in nonprofit work. Otherwise, enter “none” for each line under compensation.

1b-1c. Enter “N/A” or “Not Applicable.”

2a. With the emphasis on conflict of interest, it is clear that the IRS is focusing on independence among the decisionmakers. Although it isn’t illegal to have board officers who are related, this situation will raise scrutiny from the IRS and could be viewed negatively within your own membership. If any of your officers are related to each other, check “yes” and attach an explanation as required. Otherwise, check “no.”

2b-2c. Check “no” on both lines.

3a. Attach a list with information about your officers, as required. You may also write “see bylaws” for job duties; indicate the page number or article and section of your bylaws if you do this.

3b. Check “no.”

4a-4f. If, like most groups, you don’t compensate your officers, select “no” for all of these questions.

4g. Write in “compensation is not applicable” or include this answer on an attachment if you’re using the fill-in form feature on the interactive PDF.

5a. The IRS requires applicants to adopt a conflict of interest policy. A recommended sample is included with this toolkit, and it’s also part of the sample bylaws accompanying this toolkit. Although the IRS sample is far more complex than needed for a parent group, it’s recommended that you use it as is. The IRS is more likely to accept its own recommended policy than one crafted by a parent group member. Check “yes,” attach the policy to your application, and explain how and when the policy was adopted. For example, “Adopted by unanimous vote at the PTO meeting on MM/DD/YYYY.” Skip Lines **5b** and **5c**.

6a-6b. Check “no” on both lines.

7a-7b. Check “no” on both lines.

8a. Check “no.” Skip Lines **8b-8f** because you answered no.

9a. Check “no.” Skip Lines **9b-9f** because you answered no.

Part VI: Your Members...

- 1a.** Check “yes.” For a parent group, the “individuals” referred to in this question typically are students, teachers, or other people closely related to your group. In an attachment, concisely describe each program of your group that provides goods, services, and funds to these individuals.
- 1b.** Check “yes.” For a parent group, the “organization” referred to in this question typically is your school. In an attachment, concisely describe each program of your group that provides goods, services, and funds to the school.
- 2.** Check “no.” The typical parent group wouldn’t be selective in this way when providing goods, services, and funds.
- 3.** Check “yes.” Your officers naturally will be related to the people who benefit from the group: the students. Attach a brief explanation of that relationship.

Part VII: Your History

- 1.** Check “no.” **Even if your parent group is being formed following the dissolution of a PTA chapter, answer no to this question.** In this question, the IRS is identifying nonprofit organizations that succeed for-profit organizations. Since a PTA is a nonprofit organization, the proper answer to this question is no.
- 2.** The date you were legally formed is the certification date of your articles of incorporation. Complete Schedule E if necessary; if your group incorporated within the past 27 months, you *do not* need to complete Schedule E.

Part VIII: Your Specific Activities

- 1.** Check “no.” 501(c)(3) organizations are prohibited from supporting or opposing candidates for public office in any political campaign.
- 2a-2b.** Check “no” on both lines. 501(c)(3) organizations are prohibited from engaging in a substantial amount of legislative activities. If your group directly contacts the public to encourage support for or opposition to legislation, you’ll need to provide a detailed explanation of these activities. In most cases, it’s better to keep your group out of political activity.

3a-3c. Even if your group conducts bingo only once a year, even if bingo is just one of several activities at a family night, even if your bingo is not a fundraiser, you still need to check “yes” on Line **3a** if your group runs or plans to run bingo activities. Most states and many local jurisdictions have specific restrictions on bingo, and a license is often required. Answering yes on this line doesn’t necessarily jeopardize your application, but you’ll need to provide the additional information in an attachment as requested, including the state and local jurisdiction where you conduct bingo (Line **3c**). The typical PTO will check “no” on Line **3b**.

4a. Check “yes” and the box labeled “Other” if you conduct brochure sales or catalog-type fundraising and/or collect membership dues. If you solicit auction or other donations by mail or email, check the appropriate boxes. The other types of fundraising listed on the application don’t apply to the typical parent group. Attach a description of each of your fundraising programs.

4b. Check “no.” This question refers to professional independent fundraising companies that might be contracted by a large nonprofit to raise funds on its behalf. It does not apply to contracts between your parent group and a fundraising company such as a candle, wrapping paper, or candy vendor.

4c. Check “no.”

4d. In an attachment, list the state and local jurisdiction in which you fundraise. In most cases, that will be the city and state where your school is located. The statement could be: “The XYZ Parent-Teacher Organization raises funds in Anytown, State, exclusively for its own use.”

4e. Check “no.”

5. Check “no.”

6a. Check “no.” Skip Line **6b** because you answered no.

7a-7b. Check “no” on both lines; the typical parent group does not own facilities. Skip Line **7c** because you answered no.

8. Check “no.”

9a-9d. Check “no” on all lines because child care is not your exempt purpose, even if you provide child care at your meetings.

10. Check “no.”

11. Check “no.”

12a. Check “no.” You can skip Lines **12b-12d** because you answered no.

13a. Check “yes.” Most parent groups make “other distributions to organizations” (i.e., your school) in the form of purchases of goods or equipment, reimbursement of school expenses, or payments for assemblies and other enrichment programs. Some groups also manage a mini-grant program through which the teachers can apply for funds from the group to underwrite special projects. (See Lines **13f(i)** and **13f(ii)**.)

13b. In an attachment, include a statement similar to this: “XYZ Elementary Parent-Teacher Organization makes distributions to XYZ Elementary School for the enhancement of the educational environment for our students, the fostering of parent involvement, and the building of community spirit. XYZ PTO provides goods and services not otherwise possible within the school’s normal resources, such as educational assemblies, educational equipment, books and software, family fun events....”

13c. Check “no.” Although your group exists solely to support your school, you would not typically have a written contract with the school.

13d. In an attachment, include a statement similar to this: “XYZ PTO supports XYZ Elementary as an independent but closely allied volunteer organization. XYZ PTO members are parents, guardians, teachers, and staff of XYZ Elementary.”

13e. Answer this question in an attachment. Typically, records regarding the disbursement of funds are kept in the group’s treasurer files. Ideally, your financial procedures capture the details of every disbursement, including the amount, the date, the check number, why the money was spent, at whose request, and appropriate authorizing signatures. If your group runs a mini-grant program, also describe what records you keep specific to that program.

13f(i), 13f(ii). Check “no” for both lines, unless you run a mini-grant (or similar) program. If you run a grant program, include the required details in an attachment.

13g. In an attachment, describe how you monitor the use of disbursements to the school. For example, if you reimburse the school for expenses the

group has agreed to fund, you might write that you require a receipt or other supporting documentation written on school letterhead and signed by the principal. Another example could be that your principal is required to describe the use of the disbursement (money) at a parent group meeting so the information is captured in the official meeting minutes. If you run a grant program, you should require the grantee to submit a final report to the PTO because grant money is typically disbursed before the actual activity occurs.

14a-14f. Check “no” on all lines.

15. Check “yes.” In an attachment, using language from the Form 1023 instructions, include a statement similar to this: “XYZ Elementary Parent-Teacher Organization and XYZ Elementary School operate in a coordinated manner with respect to programs and activities.”

16-22. Check “no” on all lines.

Part IX: Financial Data

Depending on the age of your organization, you will need to provide three, four, or five total years of financial data, some of it actual history, some of it projections. Carefully read the details at the top of this section on the form. The IRS has tried to clarify the instructions explaining the number of years of financial data that you must report. Don’t provide more historical data than is necessary, even if your group operated for many years prior to incorporating.

In this section, “year” refers to a fiscal year, not a calendar year. Use the same accounting period that you listed in Part I, Line 5.

For example, if XYZ School PTO was incorporated on Aug. 1, 2017, and the Form 1023 application packet is being submitted on Jan. 12, 2018, this PTO has existed for less than one tax year. Its financial year runs July 1 through June 30. Therefore, our sample PTO will project its financial data for the “current year” that is based on activity from Aug. 1, 2017, projected to June 30, 2018, putting that information in **column (a)**. **Column (b)** and **column (c)** will have projected numbers for the two future fiscal years running July 1 to June 30.

If your PTO has been in existence for five or more years, you must report actual history for the past five years instead of future projections. The data table only has space for four years of information, so you’ll need to create an additional column in an attachment.

Use the format “MM/YYYY” in the column headings in Part IX, Section A. Don’t forget to total across in **column (e)**. You can round up to the nearest dollar for all fields. Remember that the IRS’s fill-in-the-blank PDF form will not do any calculations, so be certain your math is correct before you enter the numbers in this section.

Section A: Statement of Revenues and Expenses

1. Insert the amount your group received or is projected to receive in the form of a direct cash donation, if any. For example, if you run a “no fuss” fundraiser and ask parents to simply make a cash donation to your group, unconnected to any product sale or fundraising event, the money collected is considered a gift/contribution and would be reported here. Likewise, if your group received a gift from the district as seed money to start the group, the amount would be reported here. If the amount is zero, enter “0.”
2. If your group has dues, report the total amount collected, or projected to be collected, on this line.
3. Enter “0” for the typical parent group.
4. Enter “0” because all the work is done by a volunteer workforce, even if the business or trade meets the other definitions of “unrelated business.” (By IRS definition, an “unrelated business” is a business or trade that is commonly carried on by the 501(c)(3) organization that is not substantially related to the organization’s exempt purpose. For example, if your PTO runs a daily coffee and doughnut drive-up for the convenience of your parents, the income generated by that business resembles unrelated business income. However, because the coffee stand is run by a volunteer workforce, the coffee stand is not considered an unrelated business.)
- 5-7. Enter “0” for all fields.
8. Enter the total of Lines 1-7.
9. This field will include the total gross receipts raised by your PTO other than through direct donations (Line 1) and dues (Line 2). You need to attach an itemized spreadsheet showing the sources and amounts to substantiate this total number for each column you are completing. **Be careful to report gross dollars (not net profits) on this line.** The direct expenses of fundraising activities are reported on Line 14.

For example: XYZ PTO sold \$10,000 worth of wrapping paper and had a contract for 45% profit. Therefore, Line 9 would include all \$10,000

collected; Line 14 would include \$5,500 of expenses (55% x \$10,000). Other fundraising dollars for XYZ PTO would also be added in on this line to calculate the final amount that's reported on this form.

10. Enter the total of Lines 8 and 9.

11, 12. Enter "0" on both lines.

13. Enter the total of Lines 10-12, which should simply be the amount on Line 10.

14. Fundraising expenses are moneys your group pays to support fundraising projects, including but not limited to a service provider's portion of the sales for brochure-type fundraising programs.

The detailed instructions for Form 1023 require you to attach an itemized list that substantiates the total number for each column you are completing.

15. If your group regularly makes donations to other charitable organizations or fulfills grant requests, include the total amount here and attach an itemized list. Most parent groups would enter "0" here.

16-22. Enter "0" on all lines.

23. Include all other significant expenses not yet reported, such as any expense related to the programs, events, activities, and equipment your group provides (or will provide) to your school community. Attach an itemized list that substantiates the total number for each column you are completing.

24. Enter the total of Lines 14-23.

Section B: Balance Sheet

Use data as of the end of your most recently completed tax year. Enter the last month of the tax year in "MM/YYYY" format in the field labeled "Year End" at the very top right of this section of the application. If your group has not yet completed one full tax year, use data as of the end of the most recently completed month. In this case, enter that month and year in the "Year End" field. Report whole dollars, no cents.

1. Enter the total cash in all your bank accounts. (Most PTOs have one checking account.) Also include money market accounts, CDs, and petty cash, if applicable.

2. The typical parent group would enter “0.” “Accounts receivable” refers to money that is owed to you from the sale of goods or services.

3. “Inventory” refers to goods that you purchase with the intent of reselling in the future. For example, your group might purchase a large quantity of school T-shirts, then sell them to the community over time. The value of the T-shirts you have on hand (i.e., the amount you paid for them) is considered “inventory” and should be reported here.

4-7. The typical parent group would enter “0” on all lines.

8. If your group owns any significant equipment, such as a photocopier or popcorn machine, enter the total book value here. “Book value” is the fair market value if you were to sell the used equipment; it is not the replacement cost if you had to buy the item new.

9, 10. The typical parent group would enter “0” on both lines.

11. Enter the total of Lines 1-10.

12. “Accounts payable” refers to money you owe for goods or services purchased but not yet paid for. The typical parent group would enter “0.” But, if you happen to be filling out this form in the middle of a sales fundraiser and you have not yet paid the vendor his portion of the sales, the amount you owe the vendor would be reported here. In this specific scenario, the accounts payable amount would offset the overly high amount of cash you would report on Line 1 of this section because you haven’t yet paid the vendor.

13-15. The typical parent group would enter “0” on all lines.

16. Enter the total of Lines 12-15.

17. Enter net assets, which is Line 11 minus Line 16.

18. Add Line 16 and Line 17. This should always equal Line 11.

19. The typical parent group would check “no.” However, if your PTO has had a windfall since the end of the period you reported in the balance sheet, check “yes” and explain the situation in an attachment.

Part X: Public Charity Status

The typical parent group is considered a “public charity” by the IRS. The answers you give in Part X will confirm that status.

All groups are officially considered tax-exempt once they receive their determination, and the IRS reviews your tax information returns (Form 990-series) after five years to reconfirm that status.

1a. Check “no.” Skip Lines **1b** and **2-4**.

5. Check the box on **5(j)**. Most likely, the IRS will rule that a PTO is a 509(a)(2) organization, which corresponds to box 5(i), but check box 5(j) to let the IRS make the final decision. (A 509(a)(2) is a form of public charity that earns the majority of its budget from fundraising sales, dues, or both. By contrast, a 509(a)(1) is a public charity that relies mostly on donations, such as a church. In either case, your group is considered a 501(c)(3) tax-exempt charity when the IRS approves your application.)

6. Only complete Line 6 and its subsections if your organization has been in existence for five years or more. **Remember: If you recently incorporated, the IRS considers your organization new as of the incorporation date; if your group has been in existence fewer than five years, leave Line 6 and all its subsections blank and skip to Line 7.**

6a(i). Enter the calculated amount as indicated.

6a(ii). The typical parent group will write in “None” or note it in an attachment. But if there are any people who contributed more than the 2 percent of the amount you calculated for item 6a(i), list them and their amounts in an attachment.

6b(i). The typical parent group will indicate that there were no disqualified persons donating to your group.

6b(ii). The typical parent group will indicate “None” here. But if there are any people who contributed more than indicated here, list them and their amounts in an attachment.

7. Most PTOs will check “no,” but if you were fortunate enough to receive at least \$5,000 from a single donor, complete the required attachment.

Part XI: User Fee Information and Signature

The user fee for Form 1023 used to be determined by the average gross receipts for an organization, but the IRS recently simplified its fee structure. As of March 2018, there is a **\$600 flat fee for applying with Form 1023**.

User fees are subject to change, so call the IRS at 877-829-5500 for current information. According to the IRS, a missing or incorrect user fee is the number one reason for delays in processing an application. Be absolutely sure you include the signed check with your application.

Make your check payable to “United States Treasury.” The IRS will accept a personal check, certified check, bank check, or cashier’s check. Enclose the check on top of the completed application, but don’t attach it to the form in any manner.

Sign the application. Typically, the group’s treasurer or president would sign the application. This must be an actual handwritten signature of an authorized officer, not a stamped signature.

Schedules (Additional Forms)

Form 1023 includes a total of eight preprinted attachments that the IRS calls schedules. Luckily, the typical parent group will need to complete only one (if any at all): Schedule E, “Organizations Not Filing Form 1023 Within 27 Months of Formation.” If your group files Form 1023 within 27 months of creating your PTO (your incorporation date), you don’t need to complete any schedules at all. In any case, you can discard the unnecessary schedules; you don’t need to include them in your application packet.

Note: Schedule G is titled “Successors to Other Organizations.” Repeated inquiries with the IRS confirmed that Schedule G is meant for nonprofit organizations that are evolving from a for-profit organization. **Schedule G does not apply to the PTA-to-PTO conversion. Ignore it.**

Schedule E: Organizations Not Filing Form 1023 Within 27 Months of Formation

If your parent group has been in existence for more than 27 months, the IRS wants to understand why you haven’t filed for tax-exempt status before now. There are a few valid scenarios why a parent group would not have filed form 1023 early on:

1. Your PTO has been and always will be small, below the \$5,000 average gross receipts threshold that requires filing Form 1023, but now your group wants to become “official.”
2. Your PTO has always been small, below the \$5,000 average gross

receipts threshold, but recently saw a sharp rise in gross receipts above \$5,000 that you suspect will be the new norm.

3. You never knew about Form 1023, tax-exempt status, or 501(c)(3), or how it might apply to your PTO.

This form will determine whether your exempt status starts as of the day your group was formed or as of the postmark of your application. Generally, it's preferable to have your status be retroactive to the date of the formation of your group, and most parent groups will qualify for retroactive status.

1. Check “no.”

2a. If your parent group **has had annual gross receipts of \$5,000 or less and expects to continue to do so**, check “yes” and you’re finished with Schedule E. The IRS is just glad that your small group wants to become official, and they don’t care how long your group has been in existence. You’ll receive retroactive tax-exempt status if your application is approved.

If your parent group **usually has had annual gross receipts of \$5,000 or less but recently saw an uptick higher than that amount**, check “yes” and continue with the form.

If your group **usually has annual gross receipts of more than \$5,000**, check “no” and continue with the form.

2b. If your small group has always had receipts below \$5,000 a year but the last tax year ended significantly above \$5,000, this question applies to you. If you are filing this form within 90 days of the end of the “big” fiscal year, then check “yes” and you’re finished with Schedule E. The IRS wants to acknowledge your quick reaction to the bump in receipts, so your tax-exempt status will be retroactive to your formation date if the application is approved.

If your small PTO saw a bump in receipts over \$5,000 but you failed to file within 90 days of the close of the fiscal year for any reason, check “no” and continue with the form.

3a. Check “no.” Leave Lines **3b** and **3c** blank.

4. Most likely “no.” This is based on your incorporation date.

5. Check “yes.” It’s in your group’s best interest to be awarded tax-exempt

status retroactive to the date of your group's formation. Therefore, you should ask for the extension as indicated on this line.

For the IRS to consider your request for an extension, you need to attach an explanation of why the form wasn't filed in the past. According to the Form 1023 instructions, the following are valid reasons to apply for an extension:

- You're filing Form 1023 before the IRS found out you hadn't.
- You didn't know about the form or how to fill it out successfully.

If you skip this attachment or write a poorly articulated explanation, the IRS could make your tax-exempt date equal to the postmark date of your application. In that situation, there's a remote risk that some behavior of the group between its formation and its tax-exempt date might be taxable by the IRS as income, and donations to your group during that period would not be deductible on the donor's federal income tax return. It's worth the extra time to explain why your group hasn't filed before now.

If you check "yes" as advised for Line 5, you can skip Lines 6-8. You have completed Schedule E.

Form 1023 Checklist

The IRS provides this checklist to help groups organize their complete application packet. It's included at the very end of the standard PDF version of Form 1023; you'll be prompted to print the checklist if you're using the Interactive Form 1023.

Check off the items on the list as you assemble the packet and **include the completed checklist itself in the final packet**. The checklist is two pages long, so be sure to complete it fully.

Attachments

As you can see from reading this guide, there are many explanatory attachments that you must include to supplement your Form 1023 application. Some are essentially one sentence. Others, like your articles of incorporation, are several pages long. A list of common attachments for PTOs filing Form 1023 is included with this toolkit.

The IRS requires that all attachments be printed on white, 8.5-by-11 paper, with each page headed with your group's official name and EIN. Each individual response must be labeled with the appropriate Part and Line numbers, and the Schedule Line number if applicable. You may combine multiple responses, in order, on the same page to save paper. If you use the Interactive Form 1023 to create your supplemental information, the system will automatically insert the appropriate information in the header.

Submitting Your Application

Assemble your application packet in the exact sequence the IRS has laid out in the checklist. Make a couple of copies of the entire application packet before you mail it to:

Internal Revenue Service
Attention: EO Determination Letters
Stop 31
P.O. Box 12192
Covington, KY 41012-0192

If you're sending your application packet by a private delivery service, send to:

Internal Revenue Service
Attention: EO Determination Letters
Stop 31
201 West Rivercenter Blvd.
Covington, KY 41011

The PTO president and treasurer should each retain a copy of the entire application in their permanent officer files. The principal should also be given a copy for long-term storage.

Approval

The IRS will contact you if there are any questions about your application. The IRS says your PTO may operate as though your application has been approved while you're waiting for a response.

When the IRS approves your application, you'll receive a letter mailed to the address listed in Part I. This "determination letter" is proof that your group is now a federally registered tax-exempt charity under section 501(c)(3) of

the Internal Revenue Code. Make several copies of the entire letter and file them with the president, treasurer, and principal.

You don't receive a specific tax exemption number or any sort of certificate from the IRS, just the determination letter. Depending on the laws of your state, you may need to provide a copy of the determination letter to qualify for exemption from state sales tax. Some states require that an additional application be submitted for sales tax exemption; check with your state's department of commerce for more information.

Your next contact with the IRS will be the submission of your PTO's annual tax information return, one of the Form 990-series. You must file this tax return on time, every year, even though you don't pay any federal taxes. PTOs with annual gross receipts of \$50,000 or less may file the very quick form 990-N, also known as the e-postcard. Larger PTOs (those with \$50,001 up to \$200,000 in gross receipts) file Form 990-EZ. The 990 is due by the 15th day of the fifth month after the end of your fiscal year. More information on filing your annual information returns, including line-by-line descriptions, can be found in the [Treasurer's Toolkit](#).



LEARN MORE

Form 990-series Filing
Date Cheat Sheet

Fiscal year ends:	Filing due date:
May 31	Oct. 15
June 30	Nov. 15
July 31	Dec. 15
Aug. 31	Jan. 15

www.irs.gov/forms-instructions

(download all forms referenced in this guide along with complete instructions; for 501(c)(3) forms, search "Form 1023" or "Form 1023-EZ")

[StayExempt](#) (IRS website specifically designed for organizations to learn about applying for—and maintaining—their federal tax-exempt status)