



PTA Financials



Objectives

- Responsibilities of Board Members
- Duties of the Treasurer
 - Budget Process
 - Funding Sources
- Financial Review Process
- Forms and Documents
 - Protecting Non-Profit Status



PTA is a Business

- PTA is not a social club
- PTA must be run as a business
- PTA must comply with all local, state, and federal business regulations
- When it comes to the PTA finances, always remember, **IT'S NOT YOUR MONEY.**



Mission

To make every child's potential a reality by engaging and empowering families and communities to advocate for all children.

- Collaboration
- Commitment
- Honoring Diversity
- Respect
- Accountability



PTA – Business Responsibilities

Protect the assets and the reputation of PTA

- Duty of Care
- Duty of Loyalty
- Duty of Obedience

Failure to do so can lead to personal liability, loss of non-profit status, or both.



Duty of Care

- Attendance
 - Directors must attend Board/General meetings.
 - Directors who do not attend meetings are bound by the actions taken at these meetings and will be held responsible for any actions.
 - The act of failing to attend meetings may itself be deemed to be negligent behavior and will lead to removal for board.
- Delegation vs Abdication
 - Actively monitor those who you have given authority to (committees)



Duty of Loyalty

- Board members commit allegiance to the organization.
- Acknowledges that the best interest of organization must prevail over individual interest
- Actions and decisions must promote the organization's purpose (mission) and well-being rather than any personal interest.



Duty of Obedience

- Follow the organization's governing documents:
 - Articles of Incorporation
 - Bylaws
- Carry out the organization's mission
- Ensure that the funds are used lawfully and follow organization's ordinances



Duties Of The Treasurer



What's a Treasurer?

- Elected custodian in charge of PTA funds
- Responsible for receiving and disbursing all monies as outlined in your bylaws.
- Maintains all fiscal records in an accurate and concise manner that allows others to follow or micmic.



Prior to Taking Office

- File Signature Cards With The Bank
- Verify Insurance Paid
- Obtain all Financial Login Information
- Federal Employer Identification Number (FEIN)
- Obtain the Permanent Financial Records
- Only accept Previous Yr. Books if they've been financially reviewed



Record Retention

■ Permanently

- Articles of Incorporation
- Annual Financial Reviews
- Any IRS Documents
- Insurance Records
- Minutes

■ 10 Years

- Budgets
- Financial Statements

■ 7 Years

- Cash Receipts Records
- Cancelled Checks
- Disbursement Request
- Bank Statements


■ 1 Year

- Deposit Slips
- Bank Reconciliations



Treasurer's (Permanent) Files

- IRS Determination Letter/Incorporation paperwork and Bylaws
- Previous Budgets
- Previous Annual Financial Reports
- All Previous 990's and IRS Correspondence
- MD Charitable Solicitation Acts Registration
- Previous Personal Property Returns
- All Financial Review Reports



Taking Office – Where to Begin

- Begin your file
 - Have Fed/State EIN, CID and
 - Running General Ledger
 - Previous Yr. Financial Binder(s)

- Create a Treasurer's Resource Library
 - Bylaws
 - Cash Encounters
 - Forms and Instructions
 - Money Matters in E-environment
 - Additional Resources



Duties -- 1

July-September

- Review Bylaws Relating to Finances, Dues and Treasurer's Duties
- Prepare the Budget/ Chair the Budget Committee
 - Review Previous Year Files and Permanent Records

September – June (Coming Yr.)

- Only use an Approved Budget
- Properly Receive, Deposit, and Disburse Funds
- Maintain Accurate Records
- Retain All Original Receipts, Bank Statements and Cancelled Checks
- Prepare/Present Written Reports for Meetings
- Attend All Meetings



Duties -- 2

September – June (Coming Yr.)

- Work closely with Committees (esp. Membership and Fundraising Chairs)

- Prepare and Submit Forms
 - 990EZ, 990N(e-postcard)
 - IRS Form 1099 and 1096 submittal form
 - State Charitable Solicitation Reports
 - State Sales and Use Tax Forms (file \$0)
 - State Personal Property Report
 - Insurance




Duties -- 3

June (Coming Yr.)

- Assist with Annual Financial Review
- Update Permanent Financial Records
- Deliver All Records to Successor



Forms, Forms, Forms



IRS Forms 990/ 990-EZ/ 990-N

- Due November 15th

(Which is the 15th day of the 5th month after the end of the PTA's fiscal year)

- PTAs are organizations exempt from federal and state income taxes

- 990 – Gross Receipts Over \$200,000

- 990-EZ – Gross Receipts \$50,000 to \$200,000

- 990-N – Gross Receipts Normally Less Than \$50,000



IRS Form -- 2

- 990-N Return of Organization Exempt From Income Tax
 - [E-postcard](#)
 - EIN and Tax Year
 - Organization's legal name and mailing address
 - Name and address of Principal Officer – President
 - Confirmation that organization's annual gross receipts are normally \$50,000 or less



IRS Forms -- 3

- 990-EZ Return of Organization Exempt from Income Tax
 - Income Statement/Balance Sheet
 - Statement of Program Service Accomplishments
 - List of Officers and Directors for Year of Report
 - Copy of Changed Bylaws
 - Required Schedule A – Organization Exempt Under 501(c)3 and Schedule O – Supplemental Information
 - Possible filing of Schedule B, C or G



IRS Forms -- 4

- Fines For Late Filing (\$20/day)
- Public Inspection Requirement (Fine \$20/day)
- Failure to respond to IRS request by deadline (Fine \$10/day)
- **Loss of Tax Exempt Status If Failure To File For 3 Consecutive Years**



MD Charitable Solicitation Act

- Tied with 990, 990EZ, 990N and \$25,000 gross income
- Required To Register With Office of Secretary of State if gross income is \$25,000
- If <\$25,000 - Strongly urged to file Exempt Organization Fund-Raising Notice
- Required To Report Annually
 - [Exempt Organization Fund-Raising Notice](#)
 - [Annual Update of Registration](#)
- Graduated Annual Fee Determined By Receipts (Income/Revenue)



Charitable Solicitation Act -- 2

Annual Registration Fee

- IRS Form 990-EZ: add lines 1, 6(a), 6(b) on page 1. If the organization is a PTA, also add line 10(a)

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



Charitable Solicitation Act -- 3

■ Registration Requirements

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



Incorporation

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



Personal Property Return

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



Additional Forms

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



Sales and Use Tax

- [Must Pay Maryland Sales Tax On Purchases](#)
- Blanket Certificate of Resale
- [Sales Tax Exemptions Certificate](#)
- Tax should not be collected on sales of goods to PTAs and similar groups associated with non-public schools if the property will be donated to an exempt school.
- Local PTAs may use their school's exemption certificate when claiming exemptions. Tax should be collected, however, on sales of items to PTAs that they will use in their operations but are not donated to schools.
- Non-Profits are No Longer Required to Collect or Remit Maryland Sales Tax on Fundraisers



Insurance

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



Financial Management



Unrelated Business Income

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



Unrelated Business Income

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



Bookkeeping

- Simple
- Consistent
- Accurate
- Reliable
- Easily Understood
- Track Receipts and Disbursements by Accounts
 - Operational
 - Organizational
 - PTA Objectives (Program Services)
 - Fundraising



Bookkeeping -- 2

- Reconciliation of Accounts
 - Bank Statements – Signed, Dated and Reconciled Immediately Upon Receipt from Bank by Treasurer
 - PTA President and Non-Check Signer Should Always Review the Bank Statement, Sign and Date
 - Record Any Interest Earned or Bank Service Charges in the PTA Ledger
 - Bank Statements Always Go to unit's school



Financial Management

Receipts & Deposits

- Two People Should Always Count Money and Sign a Receipt
- All Checks Should be Endorsed Immediately
- All Money Should be Deposited in Bank after event and recorded in ledger
- Develop an Income/Deposit Form (See Sample)
- Issue Receipts/Thank You Letters for donations



Financial Management Disbursements

- No Blank Checks Are Ever Issued or Signed
- No Bills Or Reimbursements Are Paid In Cash
- All Authorized Bills Should Be Paid By Check or e-Banking with proper internal controls
- Do Not Pay Any Bill or Reimbursement Without a Receipt or Invoice
- Develop Reimbursement Form (See Sample)



Financial Management Disbursements -- 2

- Do Not Write a Check Payable to “Cash”
- Checks Must Be Signed By Two Authorized Persons
- ACH Payment **must** have internal controls in place
- Authorized Signers Should Not Be Related Or Live In The Same Household
- All Disbursements Should Be Promptly Recorded in PTA Ledger



Reporting



Reporting

- Written Reports for Meetings:
 - Executive Committee
 - Board of Directors
 - General Membership

- Annual Financial Overview

- Annual Financial Review
(3-person committee or Certified CPA)




Reporting -- 2

- **Written Report Should Include:**
 - Period Covered
 - Balance on Hand at Beginning
 - Itemized Detail of Amounts Received and Credited to the Accounts with Subtotals
 - Itemized Detail of Amounts Disbursed by Accounts with Subtotals
 - Balance on Hand at End of Period
 - Comparison to the Budget (Board of Directors only)



Budgets



“A PTA renders a greater service by working to secure adequate funding for programs that have a more enduring benefit than purchasing equipment for schools. PTAs should not contribute to the problem of inequities within a school district by excessive fundraising.”

-National PTA 2008-2009 Money Matters



Considerations

- 3-1 Rule – Three Non- Fundraising Projects to Each Fundraiser
- One Well Planned Annual Fundraising Project May Be All You Need
- Unrelated Business Income



Review Sample Budgets

- Line Item
- Categorical

(See Cash Encounters or Sample Reports)



Budget Process

- Identify Goals and Objectives of the PTA
 - Determine if appropriate for PTA
 - List programs, projects and activities
- List Operating and Organizational Items
- Analyze Past Activities
- Determine Revenue/Expenses of Each Activity
- Assure Budget Balances
 - Must have a zero balance
 - Increase revenues or decrease expenditures
- Budget a start up amount for the next year



Budget Process

■ Who

- Developed By a Budget Committee
- Appointed or Elected
- Usually Chaired by Treasurer
- Includes Other PTA Leaders
- Need Knowledge of What Has Occurred in the Past
- Need Knowledge of Future Plans

■ When

- During Planning Period for New Officers
- Usually Occurs During the Summer



Budget Process

- Obtain Approval
 - Reviewed and approved by the board of directors
 - Presented to and ratified by general membership
- Amend When Necessary
 - Not a brick wall
 - Only an estimate of expenses and revenues
 - Should be reviewed frequently
 - Can only be amended by the group which approved initially



Budget Process

- **Determine Revenue Sources**
 - Membership Dues
 - Donations
 - Corporate Sponsorships
 - Grants and Awards
 - Investments
 - Advertising
 - Gaming
 - Fundraising



Funding Sources



Membership

- Primary Source of PTA Funds
- Determined According to Bylaws
- State, National, and/or Local Council Dues to be Remitted by Pre-Determined Dates
- Provides Revenue For Operating Expenses
- Family Memberships Are Not Recognized



Donations

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



Donations -- 2

- Benefits valued at less than \$11.10/year need not be stated in the acknowledgement
- A donor claiming a monetary charitable contribution deduction of any amount cannot take the income tax deduction unless he or she has a cancelled check, bank record or acknowledgement



Corporate Sponsorships

- Commercial Concerns Provides Items (cash, products, know-how) in Return for Acknowledgement
 - Limit to Expression of Thanks
 - List Identifying Information
 - Cannot Make Judgment of Sponsor Product
 - Cannot Request Patronage
 - Endorsements Are Not Appropriate



Grants & Awards

- Governmental
- Commercial
- National PTA
- Maryland PTA



Investments

- Policy – Security, Liquidity, Yield
- Types – Savings Accounts, Certificates of Deposit, Mutual Funds, Stocks and Bonds
- Objectives – Make Resources Work, Minimum Effort,
- Establish Review and Evaluation



Advertising

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



Gaming

- Raffles, Bingo, Casino Nights, etc...
- Consider Carefully
- Gambling Is Not Charitable
- Income May Be Unrelated
- May Be Regulated or Prohibited By Local and State Authorities
- Revenue & Expense Records Must Be Maintained



Fundraising

Types of Fundraising

- Catalog Sales
- Festivals and carnivals
- Book fairs, street fairs, science fairs
- Athletic events and field days
- Dramatic productions and musical programs
- Fun nights, meals, parties and socials
- Rummage, garage and white elephant sales
- Sale of refreshments at school and PTA events
- Arts and craft sales



Practical Consideration

- Does it adhere to the Mission and Purpose of PTA?
- Does it use or exploit children?
- Will it create goodwill for the PTA?
- Is it a recreational, social or educational activity that serves as a positive example for children and youth?
- Are there local, state or federal laws that apply?
- Will it provide the revenue to help meet our goals?
- Did the committee submit a plan of work?
- Are special permits needed?



Practical Consideration Cont.

- Is the liability of the PTA protected?
- Did the president sign the contract?
- Do we have enough volunteers?
- Have procedures been established to safeguard the handling of money and products?
- What are the cost of using a facility?
- How long is the event going to be held?
- Are fire laws and safety precautions strictly observed?
- Is it accessible to people with disabilities?
- Is it an infrequent or ongoing activity?



Finding A Good Fundraising Fit

- Quality
- Service
- Results
- Experience
- References



Legal Implications

- Product liability
- Personal injury
- Contract Issues



What To Look For In An Agreement

- Review the list of agreed upon services to be sure it is clear who does what, and who pays for it.
- Check all the numbers. Be sure the percentage of profit is the same as those you agreed to verbally.
- Verify minimums, if applicable
- Are all the promotional materials such as take home brochures, display kit, sample packs, etc. listed in the contract.
- Who prepares the flyer and who has final approval.

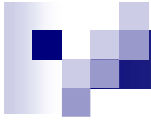


- Look for important dates and confirm that they are consistent with your verbal agreement.
- Are there penalties/compensation if dates are not followed
- Be sure procedures for handling damaged, unsold, or out-of-stock merchandise are included.
- Make certain all appropriate signatures are included and that it is clearly an agreement between two organizations, not between individuals.



Recommended Expenses

- 
- Guest Speakers
 - Hospitality
 - Insurance
 - PTA Training
 - Legislative Activity
 - Parent Workshops
 - Volunteer Appreciation
 - Postage & Stationary
 - Promotional Items
 - PTA Dues
 - PTA Newsletter
 - PTA Office Equipment
 - PTA Publications
 - Copying



- Scholarships
- Awards
- Committee Expenses
- Cultural Arts
- Family Involvement
- Field Trips
- Fundraising Cost
- Taxes
- Memorials
- Needy Student Assistance
- Teacher Appreciation
- PTA/School Related Celebrations
- Communications
- Bank Fees



Cautionary Expenses



- Basic School Supplies
- Capital Improvements
- Contributions to Other Organizations
- Funding of School Personnel
- Janitorial Supplies
- School Office Equipment
- Playground Equipment
- Presentation Equipment
- Teacher Development
- Technology
- Principals Discretionary Fund



Audit/Financial Review



The Local PTA Financial Review

An official examination and verification of accounts and records, especially of financial accounts



Types of Audits/Financial Reviews

- Review – Checking of Records
- Compilation— Review and Report on Records for the Year
- Confirmation – Review and Report on Records Based on Checking with Vendor's, Payee's Accounts
- The Compilation is the most common for PTA's, better known as the Financial Review



Purpose of Financial Review

- **To Certify** the accuracy of the books and records
- **To Assure** the membership that assets are being managed in a businesslike way
- **To Verify** that the executive board has fulfilled its fiduciary responsibility
- **To Satisfy** bylaw requirements



When & Who

■ When

- Annually
- Change of treasurer or other authorized signature holder

■ Who Can

- CPA
- Someone from your PTA

- A financial review committee

- Anyone outside the PTA willing to do the review

- Can't –Anyone with signature authority for the financial records being reviewed



What Should Be Provided

- Copy of last review
- Checkbook and cancelled checks
- Bank statements and deposit slips
- Treasurer's book or ledger
- The annual financial report
- Financial Review Report
- All Financial Reports
- Itemized statements and receipts
- Check Requests
- Budget & Amendments
- Copies of Minutes
- Current Bylaws
- Any other information



Process for Financial Review

- Determine the Fiscal Year
- Establish the Period the Financial Review Will Cover
- Review Receipt/Income
- Review Disbursements/Expenditures
- Summary Actions
- Report



Process Detail Receipts/Income

- The following should be reviewed concurrently to validate all receipt transactions:
 - Bank statements
 - General Ledger/Checkbook/ Ledger/ Deposit Slips
 - Any bank credits listed on the bank statements



Process Detail

Disbursement/Expenditures

- The following should be reviewed concurrently to validate all disbursement transactions
 - Bank statements/Cancelled Checks
 - General Ledger/Checkbook Ledger
 - Disbursement Request with Receipts
 - Each bank charge listed on the bank statement



Common Mistakes

- Neglecting to Record Returned Checks and Bank Charges
- Transactions Are Not Entered In All Documents
- Reversal of Numbers
- Mistakes in Math
- Written Reports Not Filed



Summary Action

- The starting balance for the fiscal year should be verified from previous review
- Verify outstanding checks have been cashed for the amount reported in the previous financial review report



Summary Actions --2

- The ending balance should be verified
- Notations should be made of any checks that have not been cashed but are included in the financial review summary totals
- The approved budget and any subsequent budget amendments should be verified
- Treasurer's reports should be reviewed



Auditor/Financial Review Committee Report

- If all is in order, the auditor or financial review committee should sign a statement indicating that the records are correct
- A report must also be submitted in the event there are not adequate records available to conduct a proper accounting
- Comments should be provided at the end of the review report noting any items that should be brought to the PTA's attention



Auditor/Financial Review Committee Report – 2

- The financial review report must be officially adopted by the association and must be included in a completed annual report covering the association's entire year
- If the validity of the financial review report is questioned, an independent certified public accountant should be engaged



Protecting Non-Profit Status



Tax Exempt Organization

- An exempt organization is:
 - Business, association or corporation not organized for-profit (nonprofit) that is described in the IRS Code - 501(c)(3)

- Exempt Status
 - Benefits
 - Don't pay federal income tax
 - Contributions are tax-deductible
 - Reduced postal rates



Jeopardizing Tax Exempt Status

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



Thank you!

Your dedication and service to
your PTA. It is greatly
appreciated.



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