

2017–2018

# Official Back-to-School Kit

## Finance Quick Reference Guide



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# Welcome!

Congrats and thank you for taking on this important role for your PTA! This guide provides tips and resources to help with the transition of your new PTA Treasurer's first 30 days, and provide information about budgeting, insurance and liability, handling money, reporting, and conducting the annual audit process.

## Key points to remember:

- **Keep PTA funds separate.** PTA funds should never be deposited into a personal account, school account, or the account of any other organization or group.
- **Get help.** Effective financial management requires support from many leaders and members, including finance, budget, and audit/internal review committees.
- **Put proper financial procedures in place** to help protect your PTA from theft and fraud.

## Find Out More:

- **Your First 30 Days as Treasurer**
- **Budgeting**
- **Insurance and Liability**
- **Handling Money**
- **Reporting**
- **Conducting an Audit**

Throughout this web site, be on the lookout for opportunities to Dig Deeper by checking out additional tools and resources, or some of the many E-Learning courses available at [PTA.org/eLearning](https://www.pta.org/eLearning)

# Your First 30 Days as Treasurer

Working in partnership with other PTA leaders, your PTA Treasurer helps to ensure that PTA has the resources it needs to fulfill its mission: *to make every child's potential a reality by engaging and empowering families and communities to advocate for all children.*

If you take each of these steps in (roughly) your first month in office, you'll be off to a fantastic start!

1. **Plug In.** Your state PTA and National PTA are here to help and support you. Getting connected right away will make your job much easier! Here's how:
  - o **Contact your state PTA.** Provide your state PTA with names and contact information for you and your fellow officers. Ask who to call if you have any questions. Find out what training is scheduled in the near future that can help you and your board get off to a good start. Visit your [state PTA web site](#).
  - o **Explore National PTA resources.** Start with this kit, but learn more from National PTA through e-learning courses, the One Voice Blog, e-newsletters, social media (Facebook, Twitter, Pinterest, Instagram, YouTube) and Our Children Magazine.
2. **Gather.** There are several items you'll want to put your hands on right away to be sure important records aren't lost in the transition. Collaborate with past officers to gather these records. If any records are missing, contact your state PTA for guidance. Records to gather include:
  - o **Your PTA bylaws** (and any accompanying standing rules) to find important information about how finances are to be handled and how funds are to be disbursed.
  - o **Current year's budget** to guide any immediate expenditures, as well as prior year budgets, to help you get ready to draft a [budget](#) for next year.
  - o **Receipt book** to acknowledge money received.
  - o **Checkbook** to disburse funds as authorized by the current year's budget and bylaws.
  - o **Treasurer's account book** in which to keep the PTA's financial records. If this is an electronic file or system, schedule time to be trained on how it works.
  - o **IRS tax information**, including your unit's IRS determination letter of tax-exempt status and/or application (if you have it), federal employer identification number (EIN), and copies of filed Form 990 or other required tax forms. You should also have information regarding your state tax status, including sales tax.
  - o **The most recent audit report and recommendations.** If an [audit](#) did not occur after the latest transition of officers, make sure to get one done. You will want to start fresh with a new set of books. Be sure the previous accounts are "closed" or zeroed out and audited.
  - o **Bank statements and electronic access.** Gain access to and then change the usernames and passwords for all accounts—for many units, this includes both a checking and a savings or reserve account.

3. **Protect.** Take these few important steps right away to safeguard your PTA's nonprofit status and protect your local PTA from theft, fraud and liability.
  - o Make sure IRS Form 990 was filed properly for the most recent year. See [Your 501\(c\)\(3\) status](#) for more. If it was not filed properly, ask your state PTA for help immediately.
  - o **Change the signatures on your PTA's bank accounts.** You will want to be sure previous officers no longer have access to your accounts. A transition letter from the outgoing treasurer or president to the bank may be necessary to enact this change. Also, make sure the bank has your PTA's EIN on file, rather than an individual's social security number.
  - o **Ask your state PTA what is required for [insurance](#)** and when the payment is due. Insurance can protect your board members, events, and PTA property.
4. **Build Your Team.** You don't have to do this alone! A finance committee works with the Treasurer to make sure the association is in good financial health, in good standing with the IRS and other government authorities, that its assets are protected, and that its resources are used appropriately.
  - o Look for volunteers who have a willingness to understand and accept responsibility for financial reporting and tax-exempt filing requirements.
  - o Consider volunteers with expertise in the financial area.
  - o Seek other PTA members with experience writing grants, assisting with sponsorships and helping to raise funds.

# Budgeting

A budget shows a plan for how your PTA will raise money and spend money to implement the PTA mission. A budget does not dictate what your PTA must do. It simply represents what your PTA intends to do.

## Developing a Budget

A finance or budget committee usually has the responsibility of developing a budget for the PTA. This committee may be elected or appointed according to the PTA bylaws and usually consists of three or five members, one of whom is the treasurer, who may act as chair. Steps to developing the budget:

- **Consider your PTA's goals** and the resources needed to achieve your planned activities.
- **Study the previous year's budget and treasurer's reports** to determine how well that budget met your PTA's needs.
- **Determine your PTA's projected financial needs**, taking into consideration the funds needed for the approved programs, fundraising events, and leadership development (i.e., Council/Regional trainings, State PTA Convention, National PTA Convention). Determine how funds will be raised to meet these requirements.
- **Develop a one-year budget** that shows existing funds, as well as projected funds raised and anticipated expenditure or receipts for the year's activities. Expenditures should equal receipts. Check your PTA bylaws to see how the year is defined. See [Sample Budget](#).
- **Present the draft budget for approval** to the PTA board or executive committee. Incorporate feedback and then present the draft budget to the PTA membership during a general meeting where a quorum is determined to be present. A majority vote of the members present and voting is required for adoption.

### Dig Deeper:

- Local PTA Treasurer E-Learning Course
- Quick Guide to Budget Basics E-Learning Course
- Preventing Theft in Your PTA E-Learning Course

## Using Your Budget

Throughout the year, the Finance Committee is responsible for tracking the actual results and comparing them to the budget. Whenever a new opportunity arises to further the mission of the PTA (e.g., running an unbudgeted activity or obtaining sponsor funding), the Finance Committee should carefully weigh whether it should be undertaken. Ideally, an unbudgeted activity should have a positive or neutral impact on the PTA's overall budget.

## Amending the Budget

The budget is only an estimate of the planned expenditures for the year. When there are additional expenses or a change in an allocated expenditure, the budget may need to be amended by a vote of the association at any regular meeting, or at a special meeting called for that purpose. Check your bylaws for specific guidance.

See: Budgeting: [Special Funds](#)

# Special Funds

There are three budgeting questions many PTA leaders ask:

- How much should we have in case of an [emergency](#)?
- Can we designate or [restrict funds](#) for a specific purpose?
- What happens to the [excess funds](#) at the end of the school year—how much can we roll over?

## Emergency Reserve

The emergency reserve fund is considered an integral part of each PTA's planning and budget process. This fund is intended to serve as a means to retain financial stability in the event of an unforeseen circumstance such as unplanned expenses arising from a project or an unexpected increase in inflation. As a rule, a healthy reserve is between one-half to one full year's average expenditures.

## Restricted Funds

While it is a common PTA rule that one board cannot obligate the next year's board, there is one exception to that rule. The IRS has strict rules on restricted funds. When money is raised for a specific purpose (e.g., technology, a new playground, etc.), the money raised *must* be spent on that purpose. It does not matter if it is one year, five years, or 25 years from now.

If your PTA wishes to use restricted funds for an alternate purpose, the donors must be notified and given the option to have their donation refunded to them. However, if you advertise that money raised is going toward something specific *as well as other PTA projects*, the collected funds are not restricted, and your board — and future boards — are able to use that money for whatever budget purpose they desire.

## Excess Funds

There is no ruling from the IRS or National PTA that limits the amount of money that a PTA may carry over to the next budget year. No PTA board has the authority to write checks to the school or the principal for unbudgeted items to “clean out” the accounts. Expenditures must be approved by the general membership at a meeting. Every PTA should try to leave sufficient funds for leadership training for new board members (i.e., Council/Regional trainings, State PTA Convention or National PTA Convention), startup expenses for the new school year, etc. Funds not spent in one budget year should be included in the new budget.

# Insurance & Liability

Your state PTA and bylaws will have information about what types of insurance your PTA is required to carry. Even if not required, PTAs may want to consider fidelity bonds and liability insurance.

## Fidelity Bonds

A fidelity bond covers losses sustained by a PTA through fraud or dishonesty committed by an employee, elected officer, or any person authorized by an officer to handle PTA funds. A fidelity bond is in the best interest of the PTA and should be secured from a reliable insurance company, in an amount to be determined by your board. The cost of this insurance should be covered by the PTA.

## Liability Insurance

Your PTA should consider liability insurance when there are projects or activities that may result in potential hazard for PTA members, students or other third parties. The following are three types of liability insurance:

- **Commercial general liability insurance** provides coverage for a PTA's legal liability arising from bodily injury, personal injury (false arrest, libel, slander, and other defined injuries), advertising injury, and property damage. This insurance coverage may be purchased either on a continuous, year-round, comprehensive coverage basis, or on a one-time basis for special events. Generally speaking, school district liability insurance does not extend to PTAs or their activities.
- **Auto liability insurance** should be secured before transporting students in private vehicles. PTA and/or school district policies may cover the liability of parent drivers while on field trips or other school activities.
- **Directors and Officers (D&O) liability insurance** provides protection for claims arising out of the wrongful acts of board of directors and officers in making policy and managing the affairs of the PTA that do not fall under the definition of physical injury. D&O liability insurance may provide coverage for the defense costs resulting from covered claims. Examples of D&O liability claims include:
  - o Discrimination based on age, sex, race, national origin, disability, etc.
  - o Improper employment termination
  - o Breach of contract (e.g., contract disputes with vendors, suppliers or service providers)
  - o Mismanagement of association funds



# Handling Money

Collecting funds and disbursing payments must be managed by effective PTA procedures. These procedures protect the PTA, officers and its membership by preventing fraud and ensuring the proper use of funds. Having the right procedures in place also makes it more likely that if a loss occurs, it will be found quickly and covered by [insurance](#) less the deductible.

**An effective system of financial management procedures includes the following:**

- **Put it in writing.** Policies and procedures must be put in writing. Train all PTA board members on these processes and ensure they follow these financial procedures consistently. Review policies and procedures annually.
- **Segregate duties.** For example:
  - Establish dual administrators for all online accounts whenever possible.
  - Make sure invoices are received by a person who does not have the authority to approve payments.
  - The person who approves payments is not able to sign checks or enter invoices into the accounting system.
  - Make sure all bank statements and bank reconciliations are reviewed each month by someone who does not have access to the bank account or authority to sign checks.
- **Keep an accurate and detailed file.** An accurate and detailed account of all monies received and paid out is kept in the Treasurer's permanent file. A filing system is maintained for proper and complete storage of all financial records. (See [Records Retention Schedule](#).)
- **Deposit immediately.** Checks or cash received are logged and immediately deposited to the PTA's bank account. When receiving cash for an event, it is a best practice to have two people count the cash and write up the deposit together.
- **Reconcile monthly.** When bank statements are received, the checkbook is reconciled to the bank statement immediately, and a copy of the monthly bank reconciliation should be submitted to the Board and membership along with the monthly financial report.
- **Contact your state PTA with any concerns.** Fraud generally involves stolen or misappropriated assets such as cash, property, or equipment. If you believe that fraud has occurred, immediately contact your [state PTA](#).

## Dig Deeper:

- Preventing Theft in Your PTA E-Learning Course
- PTA Financial Management Checklist
- Fraud Prevention Checklist
- Finance E-Banking Best Practices

# Collecting, Counting, & Depositing Funds

## Anytime PTA Receives Funds

- **Deposit immediately.** The Treasurer should arrange to deposit money in the bank as soon after receipt as possible, and at least daily. Night deposits, mobile banking and 24-hour banking can and should be used as needed. When necessary, the Treasurer should contact local police and ask for an escort to the bank. If the Treasurer contacts the bank about a night deposit in advance, they will provide a lock bag to place in the night depository.
- **Restrictively endorse ALL checks immediately “for deposit only.”** All checks that are to be deposited should be immediately marked “For Deposit Only to the PTA, Account # ...” and signed by your Treasurer with his or her title. Get a stamp with this info at the time your bank account is opened.
- **Record the transaction.** Duplicate deposit slips should be made so that the Treasurer will have a copy to retain for the record. Issue receipts of purchase for any cash received and reconcile the receipts issued to the bank deposit.
- **Don’t take risks.** Never deposit any funds (i.e., checks, cash, or money orders) in anyone’s personal account or in the school account, and never leave undeposited funds in the school building or in someone’s home. Do not allow other groups to deposit their funds through the PTA bank account. A PTA may jeopardize its tax-exempt status by helping another organization avoid compliance with tax laws.

## PTA Fundraisers

When your PTA is planning a fundraising activity that will involve large amounts of money, train the chair and committee on the procedures to follow for handling money. Assign duties.

- **Chair**—Ensures Treasurer receives all revenue immediately after completion of the activity or upon receiving the funds.
- **Treasurer and another volunteer** counts the money received, and both should sign a [cash counting sheet](#) verifying the amount and prepare a bank deposit slip that equals the total from the counting sheet. A receipt should be given to the chair for the entire amount.
- **Treasurer**—Deposit funds at least daily into the PTA’s bank account even if the project is continuing over multiple days.
- **Treasurer or Chair**—Within a few days of the conclusion of the fundraising activity, the Treasurer or Fundraising Chair should complete a detailed report of all receipts and expenditures and the profit received from the project. That report should be presented to the board and membership at the meeting following the activity with the monthly financial report.

## Joint Fundraising

**A PTA is a separate legal entity and not a school organization.** It is imperative that this distinction remain clear. If a PTA sponsors a project or program in cooperation with a school, all funds should be accounted for and separated immediately. PTA funds should be deposited only in the PTA account, never in a personal account, a school account, or any other organization's or group's account.

Likewise, a PTA should never deposit school money into its account, even temporarily. All money deposited in a PTA account will be considered PTA funds by the IRS and must be reported as such. PTAs should not share their EIN numbers, their sales tax exemption or their banking details with schools, principals or school districts.

If you find you need to clarify this relationship with your school or another entity, see the [sample letter to clarify schools versus PTAs](#).

# Paying Expenses

Your PTA's bylaws and standing rules govern how expenses should be paid.

The adoption of the budget authorizes the Treasurer to pay for routine expenses covered in the budget *only if such authority is given to the Treasurer in the local PTA bylaws*. If your local PTA bylaws do not provide this authority, your Treasurer should pay bills only when your board or executive committee, or PTA members, vote to expend the money—and then only upon presentation of properly signed vouchers (check requests), as required in the state PTA bylaws.

Follow these guidelines when paying expenses:

- Obtain written authorization for purchases, and require itemized bills and receipts with all requests.
- Pay all authorized bills by check, never by cash.
- Never pay bills based on a “Statement of Account.” Only pay bills from an original invoice.
- Two signatures should be required on all checks (usually the President and Treasurer). Check signers should not be related by marriage or in any other way.
- Carefully manage cash flow, verify you have the cash based on your checkbook balance before authorizing payments of budgeted expenditures.
- Never sign a blank check or a check made out to “cash.”

## Check Request (Voucher) System

Your PTA may use a general check request (voucher) system for its expenditures. The check request should include the date, a brief description, amount to be paid and budgeted line item. The request should be signed by the requester and the President (local procedures may vary, so refer to your bylaws).

After the check is generated, either enter the check number on the check request or attach a check stub. The invoice should be stamped “paid.” Only original invoices should be approved for payment. These records will then be available to assist the audit committee in the completion of its work at the end of the PTA fiscal year.

# Dues

All local PTA members are also members of your state PTA, National PTA and council/district or regional PTA (if exists). This membership fee supports PTA mission implementation, such as advocacy wins at school district, state and federal levels, as well as programs like Reflections or School of Excellence. Ongoing support for leaders like you—such as this Back to School Kit and our e-Learning courses—are possible thanks to membership dues.

The Treasurer records the PTA dues received to the **Membership Dues Revenue** account in the local Treasurer's book. The state and National dues collected should be recorded to the liability account: **Membership Dues Payable**. When the dues are submitted to the state, the liability account is reduced by the amount paid.

These funds should be sent monthly to your state PTA along with the number of PTA members and possibly the names and contact info of your members. Some state PTAs have electronic membership systems to make it easy for you to recruit, renew, and collect membership. Check with your state PTA for guidance.

# Reporting

Local PTA Treasurers are responsible for submitting monthly and annual reports to the board and membership. You and the Board are also responsible for the [reporting to the federal government/IRS](#).

## Monthly Reporting

A [Treasurer's report](#) should be submitted at each meeting of the association. This monthly report should include:

- A detailed Balance Sheet as of the end of the month (see template)
- A detailed year-to-date Income Statement that compares the actual revenue and expenses to the budget and shows a favorable (or unfavorable) variance (see template)
- The monthly bank reconciliation and related bank statement
- [Dues received](#) for state, national and any other PTA entity in your state's structure (see reporting template)
- [Special funds](#)

This report should display how the amounts received and expended to-date compare with corresponding items in the approved budget. A variance tells a story between what the PTA intended to do versus what occurred. Be prepared to answer all questions promptly, and have all records available at the meeting.

The monthly Treasurer's report should then be attached to the minutes of the meeting at which it is presented, and retained in the association's records. Changes in the budget, whether in income or expenditures, must be presented as amendments to the budget.

These reports should be given to the auditor or auditing committee during the [audit](#) process.

## Treasurer's Annual Report

At the end of the PTA's fiscal year, you should close the financial records and prepare an [annual financial report](#) that includes a balance sheet and income statement covering the entire fiscal year. Give a preliminary annual report to the membership at the annual meeting. This report is for information only and is not officially adopted. The report becomes official after the audit has been completed and the audit report is officially adopted by the membership.

The Treasurer's annual report and the audit report are filed with the permanent financial records after your PTA has approved the audit. It is strongly recommended that a [financial management checklist](#) be filed with the annual financial reports.

### Dig Deeper:

- Sample Monthly Treasurer's Report
- Sample Annual Report
- Financial Management Checklist
- Instructions for completing IRS Form 990-N

# Conducting An Audit

Auditing involves examining financial records and transactions to ensure that receipts have been properly accounted for and expenditures have been properly authorized and recorded, in conformity with PTA bylaws, standing rules and budget limitations.

Your PTA's bylaws should indicate who, when and how an audit is to be conducted and reported to the membership. Financial records should be audited at least once a year – some state PTAs require two or more audits annually. Books should also be audited if a financial officer resigns (see [Final Steps before Leaving Office Checklist](#)), before the new officer assumes his or her duties, and at any other time deemed necessary.

You have several options for how to complete an examination of the financial statements and records. The first option is the least expensive:

- **Internal financial review** is conducted by an internal committee. This committee should not include anyone with signature authority over the PTA's bank account or any relatives to a person with signature authority. The committee periodically reviews all of the Treasurer's records for errors. Check with your state PTA to determine if they offer support for internal financial reviews.

The remaining three options require retaining a professional firm with nonprofit accounting experience. Laws in several states require 501(c)(3) organizations to hire a professional firm to complete the audit when gross income exceeds a certain amount. Be sure to check the laws in your state or talk with your state PTA about your unique circumstances. You will hire a firm to:

- **Compile financial statements.** The CPA receives financial information from the client, reviews it for obvious errors without verifying the facts or tracing the transactions, and prepares financial statements using the information provided. Upon completion, a report is issued that states a compilation was performed in accordance with professional standards, but no assurance is expressed on the statements.
- **Review financial statements.** The CPA performs inquiry and analytical procedures in addition to the procedures described above for a compilation. Upon completion, a report is issued stating that a review has been performed in accordance with professional standards, that the review conducted was less rigorous in scope than an audit, and that the CPA did not become aware of any material modifications that should be made in order for the statements to be in conformity with generally accepted accounting principles.
- **Audit financial statements.** This would be most appropriate for state PTAs, very large PTAs or PTAs that are required to obtain external audits due to requirements from grantors. In an audit, the CPA performs all of the steps indicated above, as well as additional confirmation, verification and substantiation procedures. When the audit is complete, the CPA expresses an opinion that the financial statements present fairly the entity's financial position and results of operations. This would be considered a "clean" opinion.

## Dive Deeper:

- Sample Monthly Treasurer's Report
- Sample Annual Report
- Financial Management Checklist
- Final Steps before Leaving Office Checklist
- Sample Financial Review Form
- Instructions for Completing IRS Form 990-N

# Internal Financial Review

## 10 Steps for Conducting a PTA Financial Review

Shortly before the end of your Treasurer's term or at the end of the fiscal year, it is important to conduct a financial review of the Treasurer's records. Take these 10 simple steps for success.

**Step 1: Recruit an internal committee.** Your financial review committee should not be anyone with check signing authority.

**Step 2: Provide committee with Treasurer's records including:**

- A copy of the last financial review report
- Checkbook and canceled checks
- Bank statements and deposit receipts
- Treasurer's book or ledger
- The annual financial report
- Itemized statements and receipts of bills paid
- Check requests
- Copies of Board, executive committee, and association minutes that would include an adopted budget, as well as any amendments that were approved during the year
- Current bylaws and standing rules
- Any other information requested by the financial review committee

**Step 3: Explore the records posted after the last audit or financial review.** Check to see if the amount shown on the bank statement corresponds to the starting balance recorded in the checkbook and ledger.

**Step 4: Explore a sampling of transactions.** The size of this sample should be based on the size of the association. If mistakes are found, the sample should be broadened to take in more transactions. You may need to review all the transactions of a PTA. Consider retaining an external auditor if there are numerous errors or concerns regarding accuracy. Some items to look for:

- Monthly bank reconciliation
- Unexplained reconciling items
- Unusual endorsements on checks
- A match of check endorsements to payees
- Disbursements not supported by invoices or other documentation
- Blank checks secured in a safe place
- Deposit ticket dates timely with dates received by bank
- Timeliness of deposits based on known dates of events
- All invoices paid by check and not cash

### Dig Deeper:

- Parliamentary Procedure E-Learning Course
- Quick Guide to Taking & Approving Minutes
- Sample agenda
- Sample minutes
- Meeting FAQs



**Step 5. Ensure accurate disbursements.** Make certain that money collected for a specific purpose (special projects, gifts, scholarship funds, council dues, etc.) has been disbursed for that purpose. This includes keeping state and national portions of the membership dues separate from other receipts and forwarding immediately to the state office.

**Step 6. Check the [Treasurer's reports](#) and [annual report](#) for accuracy.**

**Step 7. Collaborate with Treasurer and President to correct errors.** After errors have been corrected by the Treasurer, and the President is satisfied that the financial accounts are correct, sign and date the annual report using a different color ink: "Examined and found correct. (Name), (Date)."

**Step 8. Prepare financial review results.** The financial review committee also must submit a report documenting their efforts and sharing results. When there are not adequate records available to conduct a proper accounting of the association's funds, sample statements might read:

- **CORRECT:** The financial review committee has examined the records of ABC PTA for the period of (time covered) and found them to be correct. Balance on hand: \$(Amount). (All committee members sign)
- **NOT CORRECT:** The financial review committee has examined the records of ABC PTA and found that more adequate accounting procedures need to be followed so a more thorough financial review can be given. (The financial review committee should indicate the information that is needed). (All committee members sign)

**Step 9. Submit report to board or membership.** The financial review must be officially adopted by your PTA and must be included in a completed annual report covering the association's entire fiscal year. If the report states that additional information and verification is needed, the requested information should be provided by the Treasurer.

**Step 10. Contact your state PTA or a CPA if questions remain.** If the validity of the financial review is questioned, an independent certified public accountant (CPA) should be engaged. At any time during the process, contact your state PTA for information or assistance.



**National Office**  
1250 North Pitt Street  
Alexandria, VA 22314  
Toll-Free: (800) 307-4PTA (4782)  
Fax: (703) 836-0942  
**PTA.org**