



# Financial Workshop

## Mandatory Financial Training 2016-2017



**A Leader's first job is to  
protect the assets and the  
reputation of PTA.**



## Training Objectives

- Board/Treasurer Responsibilities
- Review Protecting Non Profit Status
- Review Contribution Acknowledgements
- Review Forms



*everychild.onevoice.*

2016-2017

3

## PTA is a Business

- PTA is not a social club
- It must be run as a business
- It is accountable as a business
- You must comply with all local, city, county, state and federal regulations
- When it comes to the PTA finances you must rule with your head and not your heart



*everychild.onevoice.*

2016-2017

4

# Board Responsibilities



*everychild.onevoice.*

2016-2017

5

# Board Responsibilities

- As an incorporated organization, board members of a non-profit corporation owe important duties to the organization they serve.
- These duties are imposed by the courts and by state and federal statutes.
- A break of these duties may lead to personal liability, loss of tax-exempt status, or both.



*everychild.onevoice.*

2016-2017

6

## Fiduciary Duties

- Ultimate authority for managing the affairs of the organization is vested in the Board of Directors.
- The law imposes on Directors an obligation to act in the best interest of the organization.



*everychild.onevoice.*

2016-2017

7

## The Law Requires Directors to act:

- In good Faith;
- With the care an ordinary, prudent person, in a like position, would exercise under similar circumstances; and
- In a manner the Director reasonably believes to be in the best interests of the organization.



*everychild.onevoice.*

2016-2017

8

# Duty of Care

## ■ Attendance

- Directors must attend Board meetings.
- Directors who do not attend meetings are nevertheless bound by the actions taken at the meetings and will be held responsible for any actions.
- The act of failing to attend Board meetings may itself be deemed to be negligent behavior.



*everychild.onevoice.*

2016-2017

9

# Duty of Care

## ■ Delegation vs Abdication

- A board must monitor those to whom it has delegated authority to make sure they are acting responsibly.
- Delegation does not relieve a board of liability.



*everychild.onevoice.*

2016-2017

10

## Duty of Loyalty

- Directors commit allegiance to the organization
- Acknowledges that the best interest of organization must prevail over individual interest
- Actions and decisions must promote the organizations purpose and well-being rather than any private interest



*everychild.onevoice.*

2016-2017

11

## 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 for lawful purposes



*everychild.onevoice.*

2016-2017

12

Always remember:

**It's not your Money !**



*everychild.onevoice.*

2016-2017

13

**Protecting Non-Profit Status**



*everychild.onevoice.*

2016-2017

14

## What Is An Exempt Organization

- An exempt organization is:
  - A trust, association, or corporation not organized for profit (i.e. Nonprofit) that is described in the Internal Revenue Code as exempt from Federal Income Tax.
- Exempt Status - 501(c)(3)



*everychild.onevoice.*

2016-2017

15

## Tax Exempt Status

- Must be
  - Organized and Operated for exempt purpose
- Benefits
  - Exempt from federal income tax
  - Tax-deductible contributions
  - Reduced postal rates



*everychild.onevoice.*

2016-2017

16



## 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**



*everychild.onevoice.*

2016-2017

17

## Contribution Acknowledgments



*everychild.onevoice.*

2016-2017

18

## Contributions

- Donations 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 written acknowledgement
- Acknowledgment: PTA name, \$ amount, Date, Statement regarding goods and services



2016-2017

*everychild.onevoice.*

19

## Contributions -- 2

- Benefits valued at less than **\$10.20** for the 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



2016-2017

*everychild.onevoice.*

20

# Treasurer's Basics

## Duties of The Treasurer



*everychild.onevoice.*

2016-2017

21

## Taking Office-Where to Begin

- Accept financial reviewed/audited books only
- Review the Financial Review and Consider Any Recommendations for the Coming Year
- Create a Treasurer's Resource Library
  - Bylaws
  - Cash Encounters
  - Money Matters
  - Additional Procedures



*everychild.onevoice.*

2016-2017

22

## Taking Office -- 2

- File Signature Cards With The Bank
- Receive and Review Previous Files and Permanent Records
- Verify insurance payment
- Begin your file



*everychild.onevoice.*

2016-2017

23

## Treasurer's (Permanent) Files

- All Previous 990's and IRS Correspondence
- Incorporation paperwork (copy)
- Previous Personal Property Returns
- Md. Charitable Solicitation Acts Registration
- IRS Determination Letter
- All Financial Review Reports
- Previous Budgets
- Previous Annual Financial Reports



*everychild.onevoice.*

2016-2017

24

## Duties of the Treasurer

### ■ The Definition of a Treasurer

Elected custodian in charge of funds, responsible for receiving and disbursing all monies as outlined in your PTA/PTSA bylaws.



*everychild.onevoice.*

2016-2017

25

## Duties -- 1

- Review Bylaws Relating to Finance, Dues and Duties
- Attend All Meetings and Serve on the Executive Committee/Board of Directors



*everychild.onevoice.*

2016-2017

26

## Duties -- 2

- Properly Receive, Deposit, and Disburse Funds
- Maintain Records for Financial Review
- Prepare Written Reports for General, Executive, and Board of Directors Meetings
- Chair The Budget Committee
- Prepare The Budget



2016-2017

*everychild.onevoice.*

27

## Duties -- 3

- Pay All Authorized PTA Financial Obligations
- Forward State and National Dues to Maryland PTA
- Cooperate with Membership and Fundraising Chairs



2016-2017

*everychild.onevoice.*

28

## Duties – 4

- Attend Training Workshops at All Levels
- Retain All Receipts, Bank Statements and Cancelled Checks
- Prepare Annual Financial Report
- Maintain Treasurer's Permanent Records



2016-2017

*everychild.onevoice.*

29

## 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



2016-2017

*everychild.onevoice.*

30

## Duties -- 5

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



*everychild.onevoice.*

2016-2017

31

## Principles & Procedures of PTA Financial Management



*everychild.onevoice.*

2016-2017

32



## Principles & Procedures

- The Treasurer is the Authorized Custodian of the Funds of the PTA
- Work with an Approved Budget Only
- Use Authorized PTA Bank Accounts
  - NO USE OF CREDIT/DEBIT CARDS or COUNTER CHECKS (PAYPAL ONLY TO COLLECT MONIES)
  - NO GOFUNDME ACCOUNTS
  - NO ON-LINE BANKING TRANSACTIONS (print statements only)
  - Use Checkbook/receipt book with Duplicate

2016-2017



33

## Principles & Procedures -- 2

- Keep Accurate Records
- Retain Proper Receipts- Original Receipts Only
- Administer all Funds (use disperse forms for recordkeeping purposes)
- Use Standard Financial Procedures
- Report at Regular Intervals
- Financial Audit/Review Conducted Annually
- FEIN:9 Digit Federal Employer Identification Number

2016-2017



34

## Financial Management Bookkeeping

- Simple
- Consistent
- Accurate
- Reliable
- Easily Understood



*everychild.onevoice.*

2016-2017

35

## Financial Management Bookkeeping -- 2

- Track Receipts and Disbursements by Accounts
  - Operational
  - Organizational
  - PTA Objectives ( Program Services )
  - Fundraising



*everychild.onevoice.*

2016-2017

36

## Financial Management Bookkeeping -- 3

### ■ Reconciliation of Accounts

- Bank Statements Should Be Reconciled Immediately Upon Receipt from Bank
- Record Any Interest Earned or Bank Service Charges in the PTA Ledger and Check Register
- Bank Statements Should Never Be Sent to Any Members Home
- PTA President Should Always Review the Bank Statement and Sign. The Treasurer should sign and date. There should also be a review and dated signature by a non signer.



2016-2017

*everychild.onevoice.*

37

## Financial Management Receipts & Deposits

- Two People Should Always Count Money and Sign a Receipt of the Amount
- Issue Receipts for all payments
- All Checks Should be Endorsed Immediately
- All Monies need to be Deposited Daily



2016-2017

*everychild.onevoice.*

38

## Financial Management Receipts & Deposits -- 2

- All Deposits Should Be Promptly Recorded In The PTA Ledger and Check Register (keep all deposit slips)
- **Never** Place PTA Funds In A School Safe
- Money Is **Never** Deposited In Personal or School Bank Accounts
- Money Is **Never** Kept At Any Member's Home



*everychild.onevoice.*

2016-2017

39

## 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
- Do Not Pay Any Bill or Reimbursement Without a Receipt or Invoice
- Develop Reimbursement Form



*everychild.onevoice.*

2016-2017

40

## Financial Management Disbursements -- 2

- Do Not Write a Check Payable to “Cash”
- Checks Must Be Signed By Two Authorized Persons
- Authorized Signers Should Not Be Related Or Live In The Same Household
- All Disbursements Should Be Promptly Recorded in PTA Ledger and Check Register



*everychild.onevoice.*

2016-2017

41

## Financial Management Reporting

- Annual Financial Report
- Annual Financial Review
- Written Reports for Meetings of the:
  - Executive Committee
  - Board of Directors
  - General Membership



*everychild.onevoice.*

2016-2017

42

## Financial Management 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)



*everychild.onevoice.*

2016-2017

43

## Budgets



*everychild.onevoice.*

2016-2017

44

# Budget Development

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



*everychild.onevoice.*

2016-2017

45

# Budget Development -- 2

- 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



*everychild.onevoice.*

2016-2017

46

# 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
  - Refer to past records and committee plans of work
- Determine Expenses of Each Activity



2016-2017

*everychild.onevoice.*

47

# Budget Process

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



2016-2017

*everychild.onevoice.*

48



## Budget Process

- Assure Budget Balances
  - Must have a zero balance
  - Increase revenues or decrease expenditures
  - Should budget a start up amount for the next year



*everychild.onevoice.*

2016-2017

49

## Budget Process

- Obtain Approval
  - Reviewed and approved by the board of directors
  - Presented to and ratified by general membership



*everychild.onevoice.*

2016-2017

50

## Budget Process

- 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



*everychild.onevoice.*

2016-2017

51

## 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



*everychild.onevoice.*

2016-2017

52

## Recommended Expenses

- 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



everychild.onevoice.

2016-2017

53

***“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*



everychild.onevoice.

2016-2017

54

## 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



*everychild.onevoice.*

2016-2017

55

## Other 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



*everychild.onevoice.*

2016-2017

56

# Audit/Financial Review



*everychild.onevoice.*

2016-2017

57

## The Local PTA Financial Review

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



*everychild.onevoice.*

2016-2017

58

## 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



2016-2017

*everychild.onevoice.*

61

## 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



2016-2017

*everychild.onevoice.*

62

## 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



everychild.onevoice.

2016-2017

63

## 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



everychild.onevoice.

2016-2017

64



## 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



*everychild.onevoice.*

2016-2017

65

## 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
- Forgetting to provide receipts (duplicate receipt book)



*everychild.onevoice.*

2016-2017

66

## 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



*everychild.onevoice.*

2016-2017

67

## 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



*everychild.onevoice.*

2016-2017

68

## 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



*everychild.onevoice.*

2016-2017

69

## 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



*everychild.onevoice.*

2016-2017

70

# Forms, Forms, Forms



everychild.onevoice.

2016-2017

71

# Charitable Solicitation Act

- Tied to \$25,000.00 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



everychild.onevoice.

2016-2017

72

## 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



2016-2017

*everychild.onevoice.*

73

## Charitable Solicitation Act -- 3

### ■ Registration Requirements

- Notarized Registration Statement – COR-92
- 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



2016-2017

*everychild.onevoice.*

74

# Incorporation

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



*everychild.onevoice.*

2016-2017

75

# Personal Property Return

- Required Of All Incorporated PTAs
- File by April 15<sup>th</sup>
- 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



*everychild.onevoice.*

2016-2017

76

## 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



2016-2017

*everychild.onevoice.*

77

## 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



2016-2017

*everychild.onevoice.*

78

## IRS Forms 990/990-EZ/990-N

- Return of Organization Exempt From State and Federal Income Tax
  - 990 – Gross Receipts Over \$200,000
  - 990-EZ – Gross Receipts \$50,000 to \$200,000
  - 990-N – Gross Receipts Normally Less Than \$50,000



*everychild.onevoice.*

2016-2017

79

## IRS Forms -- 2

- Filed By The 15<sup>th</sup> Day Of The 5<sup>th</sup> Month After The End Of The Fiscal Year (Nov. 15<sup>th</sup>)
- Fines For Late Filing (\$20 per day)
- Loss of Tax Exempt Status If Failure To File For 3 Consecutive Years
- Public Inspection Requirement (Fine: \$20 per day)
- Failure to Respond (Fine: \$10 per day)



*everychild.onevoice.*

2016-2017

80



## 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 Significantly Changed Bylaws
  - Required Schedule A – Organizations Exempt Under 501c3 and Schedule O – Supplemental Information
  - Possible filing of Schedules B, C or G



2016-2017

*everychild.onevoice.*

81

## IRS Form -- 4

- 990-N Return of Organization Exempt From Income Tax
  - E-postcard
  - EIN and Tax Year
  - Organization's legal name and mailing address
  - DBA name required if not displayed
  - Name and address of Principal Officer – President
  - Confirmation that organization's annual gross receipts are normally \$50,000 or less



2016-2017

*everychild.onevoice.*

82

## IRS Forms -- 5

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



2016-2017

*everychild.onevoice.*

83

## Sales and Use Tax

- Must Pay Maryland Sales Tax On Purchases
- Blanket Certificate of Resale
- Sales Tax Exemptions are Available
- Non Profits are No Longer Required to Collect or Remit Maryland Sales Tax on fundraisers



2016-2017

*everychild.onevoice.*

84

## 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



*everychild.onevoice.*

2016-2017

85

## 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



*everychild.onevoice.*

2016-2017

86

## Contact Information

Alexandria Briggs-Blake, State Treasurer

Email: [treasurer@mdpta.org](mailto:treasurer@mdpta.org)

Maryland PTA

5 Central Avenue

Glen Burnie, Maryland 21061

410-760-6221

1-800-707-7972

410-760-6344(fax)

[www.mdpta.org](http://www.mdpta.org)



*everychild.onevoice.*

2016-2017

87

# Thank you!

Your time and dedication in the  
service of PTA is greatly  
appreciated.



*everychild.onevoice.*

2016-2017

88