



# Financial Guide

2022-2023

**Free State PTA Corporation**  
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# Welcome!

## **THANK YOU FOR TAKING ON THIS VITAL ROLE FOR YOUR PTA/PTSA!**

This guide is designed to be a financial resource for **ALL** PTA/PTSA leaders, **new and seasoned**, at all levels of PTA. This document is a guideline for fiscal management success for all PTA/PTSA units.

### **IT IS IMPORTANT TO READ THIS GUIDE IN ITS ENTIRETY.**

Our goal is to provide as much information as possible about budgeting, insurance and liability, handling money, reporting, the annual financial review process, taxes, federal, state, local laws and much more.

Effective fiscal management requires support from all PTA leaders, members and committees including finance, budget, and financial review committees. Putting proper financial procedures in place will help protect your PTA from theft and fraud.

**It is the Fiduciary Responsibility of ALL PTA/PTSA leaders, on ALL levels, to review ALL Financial and Leadership Guides as well as attend mandatory training provided by Free State PTA.**

We focus on all aspects of the PTA financial process, but at times, scenarios may arise that may not be addressed in this manual. If you need more information or help with an issue, please contact us anytime.

**We would also appreciate hearing your thoughts, ideas, suggestions, concerns, etc., for PTA fiscal management.** Feel free to contact the Treasurer of Free State PTA at [treasurer@fspta.org](mailto:treasurer@fspta.org) or [finance@fspta.org](mailto:finance@fspta.org) with questions or concerns.

## **BE SURE TO CHECK OUT...**

**Again, it is important that you read this guide in its entirety.** There are several new policies and significant changes to forms and requirements.

**The Financial Guide is a fluid document.** Federal, state and local laws, statutes and regulations are always changing. Free State PTA and National PTA may add new policies and/or procedures. Watch for email updates and check [www.fspta.org](http://www.fspta.org) for the latest information.

A **Glossary of Terms** relating to the function of the PTA/PTSA can be found in the Appendix. It may be helpful to read this first or refer to it as you review this guide.

Look for the [blue links](#) that will take you directly to the corresponding website or form. Forms and links will also be available on the Free State PTA website soon.

Original production of this document was partially underwritten by a grant from the National Congress of Parents and Teachers. **This edition supersedes all earlier editions of the Financial Guide.**

**Free State PTA, Inc.  
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Baltimore, MD 21209**

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

# MEMBERHUB WELCOME LETTER

Welcome to MemberHub. As a PTA leader, you are part of an amazing army of volunteers. We know it's a challenging job — our company is led by parents of young children who've spent countless nights in school gymnasiums trying to solve the age-old problems facing our schools. How to better engage parents? How to raise more money? How to recruit more volunteers? How to make it easier for your school to coordinate a hundred little things?

We know that running a PTA is hard work. And that's why we started MemberHub. Our software is designed to make the life of PTA leaders like you a little easier — one place where you can manage everything including creating newsletters, managing volunteer signups, processing donations and sales, tracking membership dues, and filing necessary paperwork.

You know your school better than anyone. But we intimately understand the issues that volunteers like you are facing. MemberHub is working with more than 12,000 PTAs across the country to help solve those problems and make their PTAs more successful.

You may be wary about adopting a new software solution. You may already have too much on your plate, or you may not immediately see the value in doing anything different from what you're currently doing.

We get that. And that's why we've put together plenty of training and support materials to help make the transition as seamless as possible. On the pages that follow, you will find an overview of MemberHub's benefits, helpful tips shared by other PTA leaders, and a step-by-step guide for getting started.

We can't wait to see how MemberHub helps you and your PTA succeed.

**Will Bowen, CEO**  
**MemberHub**

# THE MEMBERHUB MODEL: YOUR SUCCESS IS OUR SUCCESS

When it comes to the PTA, MemberHub doesn't operate like most traditional software companies, which rely on annual subscription fees and charge extra for customized software and support services.

The PTA Council representing the largest school system in North Carolina challenged us to do something different: Find a way to give PTAs the software for free. Why? Because MemberHub addresses many of their greatest needs, but many schools can't afford to pay for it.

The result: a partnership with PTAs across the country that ties our success to the success of PTAs like yours. And that helps us continue to innovate and make the product better for you.

Here is how our partnership works:

- We work with states to provide software made for the PTA.
- States, regions, and councils drive onboarding and training, with plenty of help from MemberHub.
- PTAs use MemberHub features that generate revenue for the PTA, like selling memberships and fundraising online. MemberHub makes a nominal fee on those transactions to put back into the business. Most MemberHub PTAs pass transaction fees onto buyers, so the PTA's effective fee is \$0.
- MemberHub uses that revenue to continue innovating and providing additional features that PTAs want.

That's how we keep our software free for the PTA.

# Our Mission, Values, and Purpose

## OUR MISSION

**The Mission of PTA - To make every child's potential a reality by engaging and empowering families and communities to advocate for all children.**

## OUR VALUES

- **Collaboration:** We will work in partnership with a wide array of individuals and organizations to broaden and enhance our ability to serve and advocate for all children and families.
- **Commitment:** We are dedicated to children's educational success, health, and well-being through strong family and community engagement, while remaining accountable to the principles upon which our association was founded.
- **Diversity:** We acknowledge the potential of everyone without regard, including but not limited to: age, culture, economic status, educational background, ethnicity, gender, geographic location, legal status, marital status, mental ability, national origin, organizational position, parental status, physical ability, political philosophy, race, religion, sexual orientation, and work experience.
- **Respect:** We value the individual contributions of members, employees, volunteers, and partners as we work collaboratively to achieve our association's goals.
- **Accountability:** All members, employees, volunteers, and partners have a shared responsibility to align their efforts toward the achievement of our association's strategic initiatives.

## OUR PURPOSE

- **To promote the welfare of children and youth in home, school, places of worship, and throughout the community;**
- **To raise the standards of home life;**
- **To advocate for laws that further the education, physical and mental health, welfare, and safety of children and youth;**
- **To promote the collaboration and engagement of families and educators in the education of children and youth;**
- **To engage the public in united efforts to secure the physical, mental, emotional, spiritual, and social well-being of all children and youth;**
- **To advocate for fiscal responsibility regarding public tax dollars and public education funding.**

**\*\*REFER TO THIS PAGE OFTEN! \*\***

**Every decision you make, every action you take, should be based on the mission and purpose of the PTA.**

# 501(c)(3) Basics & Governance of the PTA

## 501(c)(3) Basics

### 501(c)(3) Requirements

- Reporting
- Recordkeeping
- Public Inspection Requirement
- Good Governance
- Sound Policies & Procedures
- Charitable Contributions – Substantiation and Disclosure
- What can Jeopardize Tax-Exempt Status
- PTA/PTSA as a Business

### Governance of the PTA/PTSA

- Why are Boards Important
- The Board of Directors

### Conflict of Interest, Ethics, and Confidentiality Agreement

## **WHERE TO BEGIN...**

To carry out the mission and purpose of the PTA, we need to understand all aspects of what a PTA/PTSA is and how it functions.

**PTA/PTSAs Are 501(C)(3) Nonprofit Public Charities Regulated by Federal, State and Local Laws.**

## **501(C)(3) Basics**

**Section 501(c)(3) is the part of the US Internal Revenue Code that allows for federal tax exemption of nonprofit organizations, specifically those that are considered public charities.**

- PTA/PTSAs are nonprofit public charities exempt from federal tax.
- PTA/PTSAs **MUST** be organized and operated exclusively for charitable, educational or scientific purposes (the mission as defined in the bylaws).
- PTA/PTSA's resources and funds **CANNOT** be used for the private benefit of an officer, board member or any member of the association (private inurement).
- Contributions to PTA/PTSAs may be deductible on donors' federal and state income taxes.
- A PTA/PTSA **CANNOT** engage in any political activity. Organizations classified as 501(c)(3) are forbidden to endorse or support candidates for public office.
- A PTA can only engage in an insubstantial amount of lobbying activity.
- Upon a PTA's dissolution, its assets must be distributed for one or more of those defined exempt purposes. (See bylaws #Article III Basic Policies)

## **Requirements of a 501(C)(3) Nonprofit Charity (PTA/PTSA)**

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Per the [501\(c\)\(3\) Compliance Guide Publication 4221-PC \(REV 3-2018\)](#), federal tax law provides tax benefits to nonprofit organizations recognized as exempt from federal income tax under the Internal Revenue Code (IRC) Section 501(c)(3). **The IRC requires that tax-exempt organizations must comply with federal tax law to maintain tax-exempt status and avoid penalties.**

## **Reporting**

While 501(c)(3) public charities (PTA/PTSAs) are exempt from federal income tax, these organizations have information reporting obligations under the IRC to ensure that they continue to be recognized as tax- exempt. In addition, PTAs may also be liable for employment taxes, unrelated business income tax, excise taxes and certain state and local taxes.

**Public charities (PTA/PTSAs) file either a:**

- Form 990 Return of Organization Exempt from Income Tax,
- Form 990-EZ, Short Form Return of Organization Exempt from Income Tax, or
- Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or 990-EZ.

The type of Form 990 return a public charity **MUST** file is generally determined by the organization's financial activity.

**PTAs must also report any changes to the following on the 990 Form:**

- Bylaws or other Organizing Documents
- Name or Address change
- Change of Officers

## Recordkeeping

A 501(c)(3) public charity (PTA/PTSA) must maintain books and records to show that it complies with tax rules.

- The PTA must be able to document the sources of receipts and expenditures reported on Form 990 series returns.
- If the PTA does not keep required records, it may not be able to prove that it qualifies for tax-exempt status or should be classified as a public charity. The PTA may lose its tax-exempt status or be classified as a private foundation rather than a public charity. In addition, the PTA may not be able to complete its returns accurately and, therefore, may be subject to penalties.

## Public Inspection Requirements

Certain documents must be provided for public inspection when requested:

- **Annual Returns**
- **Exemption Applications**

## Good Governance

An active and engaged board is important to the success of a public charity (PTA/PTSA) and compliance with the tax law. A governing board should be composed of members who are informed and active in overseeing a PTA's operations and finances.

**Per [501\(c\)\(3\) Compliance Guide Publication 4221-PC \(REV 3-2018\)](#), to guard against insider transactions that could result in misuse of charitable assets, the governing board should include independent members and should not include others who are not independent because of business or family relationships.**

## Sound Policies and Procedures

Public charities (like PTAs) have policies and procedures in place to ensure that information about their mission, activities, finance and governance is made publicly available. The IRS is authorized by Section 6033 to ask for information it considers to be relevant to tax administration.

### Types of Policies:

- Conflict of Interest
- Financial
- Governance
- Keeping Meeting Minutes
- Private Inurement
- Fundraising

## Charitable Contributions - Substantiation & Disclosure

A public charity (PTA/PTSA) should be aware of the substantiation and recordkeeping rules imposed on donors who intend to claim a charitable contribution deduction and the disclosure rules imposed on charities that receive certain quid pro quo contributions.

### PTAs must document and disclose charitable contributions including:

- Cash or Cash Equivalents, i.e., Gift Cards/Certificates
- Goods
- Services

**\*\*\* See more on charitable contributions later in the guide. \*\*\***

## What Can Jeopardize Tax-Exempt Status?

- Inurement/Private Benefit of the association's members-prohibited.
- Lobbying - Activities must be unsubstantial.
- Political - PTA/PTSAs do not endorse candidates-prohibited.
- Unrelated Business Income - must not be the primary purpose.
- Failure to file required federal, state and local forms.

## Your PTA/PTSA is a Business

- It **MUST** be run as a business.
- It is **ACCOUNTABLE** as a business.
- PTA/PTSAs **MUST** follow all local, state and federal regulations.
- PTA/PTSA is **NOT** a social club.
- The business of PTA/PTSA is **NOT** about personal agendas.

For more information on this topic, visit:

<https://www.irs.gov>

<https://www.irs.gov/pub/irs-pdf/p4221pc.pdf> - Compliance Guide

<https://www.irs.gov/pub/irs-pdf/p526.pdf> - Charitable Contributions

<https://www.irs.gov/pub/irs-pdf/p557.pdf> - Tax Exempt Status

<https://www.irs.gov/pub/irs-pdf/p1771.pdf> - Charitable Contributions

## Governance of the PTA/PTSA

Board leadership is a **COMMITMENT**. Board members are stewards of their association and hold a public trust to work together as a single legal entity. The Board of Directors conduct the PTA's business between General Membership meetings.

**Boards can delegate authority to committees to get work done, but Boards are ultimately responsible for the actions of their association.**

### WHY ARE BOARDS IMPORTANT?

- Boards are required by law to ensure the PTA carries out its mission.
- Boards hold a position of trust and have "**FIDUCIARY**" responsibilities to their members.
- Boards are given power to run the association by the membership via Bylaws and elections.
- Boards are responsible for the viability, credibility, and effectiveness of their PTA.
- **Boards function as a team.** The team succeeds and achieves its goals, or the team fails and is ineffective. Conflicts may arise among team members, and it is up to the team as a whole to address the conflict. If needed, seek help at Free State PTA. Create the proper environment for success.

### THE BOARD OF DIRECTORS

The Board of Directors consists of:

- **Executive Committee-** President, Vice-President, Secretary and Treasurer

**MARYLAND NONPROFIT LAW REQUIRES A PRESIDENT, SECRETARY AND TREASURER.**

- **Committee Chairs**
- **Delegates to Council (if applicable)**
- **Principal or School Representative**

As a member of the Board of Directors or the Executive Committee of an association, it is the **INDIVIDUAL RESPONSIBILITY** of each board member to make sure the association is operating in a **FISCALLY AND LEGALLY** sound manner.

When an individual becomes a board member, either through election or appointment, that person becomes **ETHICALLY AND LEGALLY** obligated to conduct themselves prudently, properly and responsibly; and to be sure the association conducts itself in a manner so that the best interests of the association and its members are protected and preserved.

**Board responsibilities are recognized in Maryland law.** These responsibilities are: **CARE, LOYALTY, and OBEDIENCE**. Board members are expected to know how these responsibilities apply to them as individuals and as members of the board.

**THIS IS KNOWN AS FIDUCIARY RESPONSIBILITY.**

### BOARD MEMBERS OF A NONPROFIT ASSOCIATION HAVE THREE (3) LEGAL DUTIES

**DUTY OF CARE:** to pay attention to the organization's activities and operations;

**The duty of care has several elements. Its violation is the most frequent source of liability for Directors.**

- First, board members do no harm. They protect the PTA assets, the most valuable of which are PTA's name and reputation.
- Board members advocate for and take part in their PTA's work.
- Board members act in good faith using their best judgment and basing decisions and actions on what is in the best interest of PTA.
- Board members attend meetings, take part, educate themselves on issues, research, discuss, and stay informed.

### **Example #1 of Duty of Care - Attendance**

Directors must attend Board meetings. Courts have no sympathy for Directors who claim as a defense to any legal action that they did not know of an issue or did not take part in an action because of failure to attend a Board meeting.

**DIRECTORS WHO DO NOT ATTEND MEETINGS ARE NEVERTHELESS BOUND BY ACTIONS TAKEN AT THOSE MEETINGS AND WILL BE HELD RESPONSIBLE IF ANY SUCH ACTIONS ARE CONSIDERED NEGLIGENT.**

The act of not attending Board meetings may itself be considered negligent behavior. Board meetings should only be missed for unavoidable emergencies. A Board member who repeatedly misses meetings should consider resignation.

### **Example #2 of Duty of Care - Delegation vs Abdication**

While the Board of Directors makes the most important policy decisions that guide and determine the activities of the organization, it must rely on others to carry out the decisions. Such delegation is necessary and legal.

- Boards also delegate their duties to committees and members of the association.
- A Board must monitor those to whom it has delegated authority to make sure such persons are acting responsibly.

**DELEGATION DOES NOT RELIEVE A BOARD OF LIABILITY.**

**DUTY OF LOYALTY:** to put the interests of the organization before personal and professional interests. Duty of Loyalty, expectation of Board members:

- When making PTA decisions, Board members place their PTA's interests over those of their family, friends or personal interest.
- Board members maintain confidentiality about sensitive PTA issues and information, allow a safe atmosphere for Boards to make decisions, and avoid sharing information that could harm the PTA's assets and reputation.

**BOARD MEMBERS DISCLOSE ALL POTENTIAL CONFLICTS OF INTEREST AND DO NOT PERSONALLY GAIN FROM BOARD PARTICIPATION. THEY ENSURE THEIR PTA HAS A CONFLICT OF INTEREST POLICY.**

By assuming office, the Director commits allegiance to the organization and acknowledges that the best interests of the organization must prevail over any individual interest of the Directors, the Director's employer, and the Director's family and associates. Action and decisions of the Director, while he or she is serving as a Director, must promote the organization's purpose and well-being rather than any private interest.

**THE DUTY OF LOYALTY IS VIOLATED WHEN A DIRECTOR USES HIS OR HER OFFICE TO PROMOTE, ADVANCE OR INFLUENCE A TRANSACTION BETWEEN THE ORGANIZATION AND SUCH PERSON OR HIS OR HER RELATIVES OR ASSOCIATES, AND THAT TRANSACTION IS NOT SUBSTANTIVELY FAIR TO THE ORGANIZATION.**

**FULL DISCLOSURE AND REFRAINING FROM DISCUSSION AND VOTING ARE REQUIRED WHEN A DIRECTOR MAY BE INFLUENCED BY A PRIVATE INTEREST.**

**DUTY OF OBEDIENCE:** to comply with applicable federal, state, and local laws; adhere to the organization's bylaws; and remain the guardians of the mission.

1. Board members know and obey applicable local, state and federal laws.
2. Board members follow PTA Bylaws as approved by members and associated Standing Rules and policies.
3. Board members do not create Standing Rules and policies that are more restrictive than Bylaws.
4. Board members follow the applicable sections of the Local Unit, Free State PTA and National PTA Bylaws, and keep their PTA/PTSA in **Good Standing** by abiding by Free State PTA and National PTA's **Standards of Affiliation Policy**.
5. Board members are faithful to the PTA's mission, using the mission as the foundation for all decision-making.

Directors have a duty to follow the organization's goals and governing documents (**such as Articles of Incorporation and Bylaws**) to carry out the organization's mission and to ensure that funds are used for lawful purposes. **Directors must also follow all local, state and federal law relating to the organization.**

**IF A MEMBER OF A BOARD DOES NOT EXERCISE REASONABLE CAUTION AND CARE, THAT PERSON IS OPEN, NOT ONLY TO CRITICISM FROM PEERS, BUT TO POTENTIAL PERSONAL LIABILITY FOR FINANCIAL LOSSES OR DAMAGES RESULTING FROM FAILURE TO EXERCISE REASONABLE CARE DURING THE TERM AS A BOARD MEMBER.**

While the Treasurer is assigned the duty of being the custodian of the funds of the PTA/PTSA and accounting for these funds, **ALL MEMBERS OF THE BOARD OF DIRECTORS HAVE A FIDUCIARY RESPONSIBILITY** to ensure that the PTA/PTSA is keeping proper financial records, depositing money promptly, adhering to the budget and following all legal and reporting functions.

**ADHERING TO THE POLICIES AND GUIDELINES ESTABLISHED BY NATIONAL PTA, FREE STATE PTA, THE STATE OF MARYLAND AND THE IRS WILL HELP TO REDUCE OR ELIMINATE QUESTIONS ABOUT THE MANAGEMENT OF THE PTA AND ITS FUNDS.**

## **Conflict of Interest**

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### **What Is A Conflict of Interest for A PTA?**

First, it is important to understand how the IRS defines a conflict of interest:

**"A CONFLICT OF INTEREST IS A TRANSACTION OR ARRANGEMENT THAT MIGHT BENEFIT THE PRIVATE INTEREST OF AN OFFICER, BOARD MEMBER, OR MEMBER. CONFLICTS OF INTEREST IN A BOARD OF DIRECTORS CAN TAKE SEVERAL FORMS. RELATED PARTIES ON THE BOARD, CERTAIN TRANSACTIONS, AND DUAL-CAPACITY INDIVIDUALS ALL PRESENT A CONFLICT OF INTEREST. WHILE IT MIGHT NOT BE POSSIBLE TO AVOID A CONFLICT OF INTEREST IN EVERY SITUATION, IT IS BEST PRACTICE TO AVOID OR MINIMIZE THEM."**

Understanding how the IRS defines relationships and conflicts of interest is important when deciding what qualifies as the organization's quorum. A **quorum** is defined as the minimum number of members of a group who can officially meet to discuss business and vote on decisions.

**In a nonprofit setting, a quorum is the MINIMUM number of UNRELATED BOARD MEMBERS needed to count as an official meeting.**

For example, if a Board of Directors is composed of five individuals, in most cases three of these board members can meet and satisfy quorum. However, if a board is made up of five individuals, of whom two are related, satisfying quorum becomes more complicated. **If both related members are at a meeting during a voting situation, all five board members must be present to satisfy quorum because the majority of board members present must be unrelated.**

To avoid having a majority related board, you must know how the IRS defines a relationship between board members. Board members who are related either through blood or marriage are considered related parties. The IRS typically considers grandparents, spouses, or siblings a relationship. Any relationship beyond an immediate family member, such as a cousin or aunt, is not normally considered a relationship in the eyes of the IRS. Business partners are also considered related parties; if two or more individuals own at least 35% of a business, the IRS considers them related through business dealings.

A conflict of interest is also sometimes called a duality of interest. **A conflict, or duality, of interest concerns a board director who has a barrier that prevents them from being impartial and loyal to the nonprofit organization. Conflicts can arise from personal, professional or volunteer positions or relationships.**

**The IRS requires nonprofit entities to have a written conflict of interest policy.** Nonprofit boards must fill out the IRS Form 990 annually, acknowledging that they have a written conflict of interest policy. They must also explain how boards manage conflicts, as well as how they determine whether a board director has a conflict.

Nonprofit organizations that fail to properly manage conflicts of interests may be subject to significant penalties against the Board Director, the organization or both. **Penalties for Board Directors are called intermediate sanctions or excess benefit transactions.**

For more information, visit:

<https://www.irs.gov/charities-non-profits/form-1023-purpose-of-conflict-of-interest-policy>

<https://www.irs.gov/charities-non-profits/current-form-990-series-forms-and-instructions>

<https://www.boardeffect.com>

<https://www.501c3.org>

## **CONFLICT OF INTEREST, ETHICS AND CONFIDENTIALITY AGREEMENT (Name of) Council or Local PTA/PTSA**

Members of the Board of Directors (board members) of this Council or Local PTA/PTSA (hereinafter referred to as "PTA") serve in a fiduciary capacity and owe a duty of care, a duty of obedience, and a duty of loyalty to this PTA.

Board Members shall conduct themselves with integrity and honesty and act in the best interests of this PTA. Disclosure by a Board Member of any potential or actual conflict of interest is required by the standard of good faith and for the benefit of the PTA and protection of each individual.

**In consideration of our PTA affiliation with the Free State PTA, for the protection of its integrity and its 501(c)(3) status, and for our protection, we, the undersigned officers, individually, during our terms of office, shall:**

- a. Abide by and represent our PTA bylaws, the Free State PTA policies, positions, procedures and National PTA purposes and mission statement;
- b. Discharge the duties and responsibilities of our individual offices with fidelity, integrity, and honesty and declare all personal and/or extended family conflicts of interest when PTA issues, decisions, and funds are involved;
- c. Not misuse the PTA's federal tax-exempt status or exemption from sales tax for personal or unauthorized purposes nor disburse funds for any purpose other than authorized, budgeted PTA programs, projects, and activities.
- d. Refrain from making any slanderous or defamatory statement(s) that will result in harm to the PTA name or brand.
- e. Publicly present a united front on decisions made as an Executive Board.
- f. Maintain confidentiality as a member of the Executive Board.
- g. Follow the Free State PTA and school district guidelines for fundraising, programs and events.
- h. Abide by the following conflict of interest policy:
  - i. Executive Board members and/or their families shall not use their relation to this PTA for financial, professional, business, employment, personal, and/or political gain.
  - ii. A conflict of interest exists when an executive board member would have to participate in the deliberation or decision of any issue of this PTA while, at the same time, the board member and/or his/her extended family has financial, professional, business, employment, personal and/or political interests outside the PTA that could predispose or bias the board member to a particular view, goal or decision.
  - iii. Executive Board members shall declare to the officers of this PTA conflicts of interest (stating the nature of the conflict and pertinent information as appropriate) between their duties of this PTA and their and/or their extended families' financial, professional, business, employment, personal and/or political interests.
  - iv. When a conflict of interest is declared, the executive board members shall not use his/her personal influence or position to affect the outcome of this vote and shall leave the room during deliberations and the vote.
  - v. The minutes of the meeting shall reflect that a conflict of interest was declared.
- vi. Executive Board members shall not:**
  - Use PTA's name, influence, or resources for their benefit or gain when running for any public elected office or while serving as an elected official.
  - Directly or indirectly use their current PTA position, the PTA name or organization for or against any specific candidate for elected public office, which is contrary to federal tax laws and the guidelines and policies of the PTA.



# Standards of Affiliation & Good Standing

Standards of Affiliation (SOA)

SOA Form

Good Standing with Maryland

Good Standing with the IRS

## Standards of Affiliation or SOA

### Why do we have Standards of Affiliation?

As a 501(c)(3) non-profit parent organization, Free State PTA is **REQUIRED** by the IRS, federal and state laws to have all compliance documents and information for each subordinate PTA/PTSA unit on its Group Exemption List.

By meeting these requirements on the due dates specified, your PTA will not only remain in **Good Standing**, but your unit will also be eligible for awards and participation in PTA programs such as Reflections and Scholarship. The IRS imposes fines and penalties for exempt organizations that do not comply with annual 990 Federal Income Tax filing requirements. **These requirements are included in the PTA Bylaws.** The criteria below **MUST** be met for PTAs to remain in Good Standing and continue under the umbrella of Free State PTA.

### A local PTA/PTSA to meet the Standards of Affiliation must:

- ▶ Adhere to the mission and purposes and basic policies of the National PTA and Free State PTA;
- ▶ Remit the National PTA (\$2.25) and Free State PTA (\$2.00) dues, **total \$4.25 per member**, to Free State PTA by **October 1<sup>st</sup>** and then monthly thereafter;
- ▶ Have bylaws approved every **three (3)** years according to the procedures of Free State PTA;
- ▶ Have a minimum of ten **(10)** members;
- ▶ Submit the name and contact information including phone number, address and email address of all elected officers to Free State PTA within **two (2) weeks** of election; **By July 1<sup>st</sup>.**
- ▶ Remit bonding, liability and directors and officer's insurance premiums **by July 1<sup>st</sup>.**
- ▶ Have an Employer Identification Number (EIN) from the Internal Revenue Service (IRS) on file with Free State PTA;
- ▶ Maintain its status as a corporation and have, **as required by Maryland Non-Profit law**, at minimum, **a president, a secretary and a treasurer;**
- ▶ File the appropriate 990 tax forms by the required date with the IRS and submit a copy to Free State PTA within thirty (30) days of filing;
- ▶ Submit a copy of the Annual Financial Review to FSPTA before **October 31<sup>st</sup>** each year;
- ▶ File all appropriate state forms with the appropriate state authorities by the required date and **submit a copy to Free State PTA** within 30 days of filing.
- ▶ **Board members, at least the president and the treasurer, must be trained by Free State PTA within 180 days of taking office.** Training must include financial training on Maryland and IRS tax requirements and forms.
- ▶ The Articles of Organization of this local PTA/PTSA include:
  - **Bylaws**
  - **Articles of Incorporation**

### On the next page is a checklist to aid in keeping track of requirement deadlines.

Use this worksheet to ensure that your local unit PTA/PTSA remains in good standing and in compliance with Free State PTA, the State of Maryland and the IRS. To continue affiliation with Free State PTA, you **MUST** complete the following items by the due dates below. The due dates vary throughout the year, keep this sheet in your procedure book to use as a checklist to aid your unit in meeting these deadlines. All required forms are available online at **www.fspta.org** under the "Forms" tab. If you have questions, please contact Free State PTA at [info@fspta.org](mailto:info@fspta.org) or [finance@fspta.org](mailto:finance@fspta.org).

## Free State PTA Local Unit Standards of Affiliation Compliance Worksheet

Item	Due to Free State PTA	Date Provided	Notes												
<b>Local Unit Officer Contact Information</b>	Within two weeks of elections. Due by July 1 <sup>st</sup>	Date: _____ Emailed, Mailed, Uploaded (Circle One)	A new form <b>MUST</b> be sent every year even if there are no changes in officers. Update information throughout the year when changes occur.												
<b>Insurance premium</b> due by July 1 <sup>st</sup> .	Report sent to Free State PTA by AIM	Invoice paid to AIM Insurance Date: _____	Invoices sent out starting in April. After July 1 <sup>st</sup> a late fee will be assessed.												
<b>Membership Dues</b> Free State PTA (\$2.00) National PTA (\$2.25) Total of \$4.25	First payment due October 1 <sup>st</sup> then monthly.	<table border="0" style="width: 100%; text-align: center;"> <tr> <td>_____ Jul _____</td> <td>Aug _____</td> <td>Sep _____</td> </tr> <tr> <td>_____ Oct _____</td> <td>Nov _____</td> <td>Dec _____</td> </tr> <tr> <td>_____ Jan _____</td> <td>Feb _____</td> <td>Mar _____</td> </tr> <tr> <td>_____ Apr _____</td> <td>May _____</td> <td>Jun _____</td> </tr> </table>	_____ Jul _____	Aug _____	Sep _____	_____ Oct _____	Nov _____	Dec _____	_____ Jan _____	Feb _____	Mar _____	_____ Apr _____	May _____	Jun _____	Payment by Memberhub, check or designated electronic method. If using check or electronic method, provide the appropriate documentation
_____ Jul _____	Aug _____	Sep _____													
_____ Oct _____	Nov _____	Dec _____													
_____ Jan _____	Feb _____	Mar _____													
_____ Apr _____	May _____	Jun _____													
<b>Annual Financial Review &amp; Report</b> After June 30 <sup>th</sup> every year.	October 31 <sup>st</sup> *	Date: _____ Emailed, Mailed, Uploaded (Circle One)	See Financial Guide for more information.												
Copy of <b>IRS 990</b> Due to IRS by Nov 15 <sup>th</sup> each year.	December 15 <sup>th</sup> Annually	Date: _____ Emailed, Mailed, Uploaded (Circle One)	All PTA/PTSAs must file an IRS 990 by Nov 15 <sup>th</sup> annually. Most PTAs will file the 990-N. See FSPTA Financial Guide for info on 990's.												
<b>Bylaws</b>	Every Three (3) Years	Bylaws must be reviewed, updated and APPROVED by Free State PTA every 3 years.	Bylaws can only be updated on the template supplied by Free State PTA. Contact the Free State for more info.												
<b>Annual Report/ Personal Property</b> Due April 15 <sup>th</sup>	Copy to Free State PTA by May 15 <sup>th</sup>	Date: _____ Emailed, Mailed, Uploaded (Circle One)	If not filed for two years, the corporation is <b>forfeited</b> . The PTA will no longer be able to function as a business in Maryland.												
<b>Training:</b> Treasurer & another officer must attend Free State PTA <b>training</b>	Within 180 days of taking office.	Training Date: Webinar Date:	All Board members should take training, but the Treasurer and another officer are required.												
<b>Secretary of State's Maryland Charitables</b>	Due December 31 <sup>st</sup>	Date: _____ Emailed, Mailed, Uploaded (Circle One)	Exempt Organization Fundraising Notice OR Annual Update of Registration with either the 990-EZ or COR-85												

As a 501(c)(3) non-profit parent organization, Free State PTA is **required** by the IRS, federal and state laws to have these compliance documents and information listed above for each subordinate PTA/PTSA unit on their Group Exemption List.

By meeting these requirements on the due dates specified, your PTA will not only remain in Good Standing, but your unit will also be eligible for awards and participation in PTA programs such as Reflections and Scholarship. The IRS imposes fines and penalties for exempt organizations that do not comply with annual 990 Federal Income Tax filing requirements.

**A copy of this document should be kept in both the President's and Treasurer's procedure book.**

## Good Standing with the State of Maryland

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PTAs must remain in **Good Standing** with the State of Maryland by completing the required annual filings.

**To maintain Good Standing status, it is important that you file the required annual reports and maintain compliance with any applicable Maryland laws.** Failing to do so means your PTA may be **“Not in Good Standing,”** which eventually leads to forfeiture. **A forfeited entity may not legally conduct business in the state.** The most common reasons that a business is not in good standing are:

- Failure to file the required Annual Report or Personal Property Tax Return with the Department of Assessments and Taxation
- Failure to pay a monetary penalty due to the late filing of an Annual Report
- An issue with the Maryland Office of the Comptroller
- Failure to File an Annual Update of Registration, COF-85 or Exempt Fundraising Notice with the Maryland Secretary of State <https://sos.maryland.gov/Charity/Pages/Registering-Charity.aspx>

**This status can be returned to Good Standing by addressing the way the business is out of compliance.**

In many cases, viewing your business on the [Maryland Business Express website, Business Entity Search](#) will show you why the entity is not in Good Standing. Your PTA’s status will be displayed under the “General Information” tab, and the “Personal Property” tab will show you whether you have submitted all required annual filings and if you owe a related late penalty. If action has been taken against your entity by the Maryland Office of the Comptroller; or another state agency, it will be displayed under the “Filing History” tab and you will need to contact that agency for more information.

**If your PTA/PTSA is not in Good Standing or has been forfeited, contact Free State PTA for the next steps.**

## Good Standing with the IRS

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PTAs are exempt from paying federal income tax on most income. However, the IRS **REQUIRES** that all PTAs file some version of the Return of Organizations Exempt from Income Tax form, known as the 990’s.

### **Form 990**

- PTAs whose gross receipts are more than \$200,000.00 must file the full 990.
- Schedule A must also be filed

### **Form 990-EZ**

- PTAs whose gross receipts are normally \$50,000.00 or more must file electronically form 990-EZ
- Schedules A & O must also be filed

### **Form 990-N**

**PTAs whose gross receipts are normally \$50,000.00 or less must file electronically form 990-N, also known as the e-postcard annually.**

These forms **MUST** be filed with the IRS by the 15th day of the 5th month after the close of the PTA’S fiscal year **(November 15th)**. A copy of the forms **MUST** also be sent to Free State PTA by **December 15<sup>th</sup> annually**. The IRS will **AUTOMATICALLY REVOKE** tax-exempt status when an exempt organization **REQUIRED** to file an annual return (e.g., Form 990, electronic 990-EZ, or electronic 990-N e-Postcard) **does not do so for three (3) consecutive years**. Under the law, the organization’s federal tax-exempt status is automatically revoked.

**IF A PTA’S TAX-EXEMPT STATUS IS AUTOMATICALLY REVOKED, IT IS NO LONGER EXEMPT FROM FEDERAL INCOME TAX, IS NOT ELIGIBLE TO RECEIVE TAX-DEDUCTIBLE CONTRIBUTIONS, AND WILL BE REMOVED FROM THE CUMULATIVE LIST OF TAX-EXEMPT ORGANIZATIONS.**

Consequently, the PTA may be **REQUIRED** to file federal income tax returns and pay applicable income taxes. The law prohibits the IRS from undoing an automatic revocation and does not provide for an appeal process.

**An automatically revoked organization **MUST** apply to have its status reinstated. If your PTA has been revoked, you **MUST** contact Free State PTA to start the reinstatement process.**

Any PTA that no longer retains its affiliation with National PTA and Free State PTA **MUST** file form 1120 and pay income tax on all receipts unless they apply for and receive tax-exempt status.

<https://sos.maryland.gov/Charity/Pages/default.aspx>

<https://sos.maryland.gov/Charity/Pages/Registering-Charity.aspx> Business Entity Search

<https://www.irs.gov/charities-non-profits/annual-reporting-and-filing>

**FREE STATE PTA IS OBLIGATED TO NOTIFY IRS WHEN A GROUP IS NO LONGER CONSIDERED A PTA.**

**More information on this topic is offered in the "Taxes & Forms" section**

# Duties of the Treasurer

## Duties of the Treasurer

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## Taking Office

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## The Treasurer's File

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## Relinquishing Office

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## Record Retention Schedule

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## Treasurer's Checklist

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## Duties of the Treasurer

As an elected officer, the Treasurer is a representative of the entire PTA, serves on the Board of Directors and the Executive Committee and should reflect characteristics necessary to perform the functions required of the position and instill confidence in the fiscal integrity of the PTA.

- Review your local PTA unit's Bylaws and Free State PTA and National PTA documents relating to dues and finance.

### **The Bylaws are your guide for all functions of the PTA.**

- Review Free State PTA Loss Prevention Guide from AIM Insurance.
- Attend all meetings and serve as an active participant on the Board of Directors and the Executive Committee.
- **ATTEND MANDATORY FINANCIAL TRAINING BY WEBINAR OR WORKSHOP AT FREE STATE PTA AS A NEW OR SEASONED LEADER.**
- Maintain a correct and detailed account of all funds received or paid out.
- Submit written reports at all regular meetings of the General Membership and the Board of Directors/Executive Committee and have financial records available so that questions can be answered promptly.
- Chair the Budget Committee aiding in the formation of the local unit's budget for the fiscal year. Fully understand the elements of the budget to be able to explain any line item to the General Membership.
- Receive and promptly deposit all PTA funds into the **AUTHORIZED** PTA bank account.
- Pay all financial obligations of the PTA as **AUTHORIZED** by the budget, **BY CHECK ONLY**.
- Send the **Free State PTA (\$2.00)** and **National PTA (\$2.25)** portions of the membership dues to the Free State PTA using the "State and National Dues Payment Form" or via MemberHub or Zelle by the first of each month, with the initial payment no later than **October 1**.
- Cooperate with the Membership Chair and Fundraising Chair to coordinate safe handling of all funds.
- Retain all receipts, bank statements, canceled checks (if available) and other records and provide them to the Financial Review Committee, the Board of Directors/Executive Committee or membership when asked.
- Prepare and send all **REQUIRED** forms to the IRS, State of Maryland and Free State PTA.
- Review all **State and Federal laws (IRS)** regarding fundraising and reporting.
- Maintain complete financial records as specified in the Records Retention Timetable.
- Deliver to your successor all books and records, including historical records, promptly at the end of your term of office

## Taking Office

- Review and familiarize yourself with your PTA/PTSA unit Bylaws, Standing Rules and Insurance Guide.
- Know the Mission and Purposes of the PTA.
- Review the policies and guidelines of Free State PTA and National PTA.
- Plan a transition meeting with the outgoing treasurer and/or all officers.
- File New Signature Cards at the Bank with New Officers.
- Make sure Local Officer Contact information is sent to Free State PTA by July 1<sup>st</sup>.
- Verify that the books have been or are in the process of being reviewed before accepting them. Contact Free State PTA if you have questions or concerns.
- Meet with the Financial Review Committee to review any recommendations they may have made.
- Obtain and review the outgoing treasurer's complete files and records.
- Notify the Board of Directors/Executive Committee of any records that are not available.
- Review your Free State PTA Insurance and Loss Prevention Guide about bonding and liability insurance, incorporation status, and related procedures for the unit.

## Contents of The Treasurer's File

- PTA unit Bylaws and Standing Rules
- Free State PTA's Financial and Leadership Guides
- Free State PTA Insurance and Loss Prevention Guide
- The approved budget adopted by the membership
- Prior budgets
- Receipt book to acknowledge money received by the treasurer
- Checkbook to disburse funds as authorized
- Treasurer's account books, ledgers, and/or computer software (i.e., Quicken or other accounting software) to keep the financial records of the association.
- Annual Financial Reports
- Current and prior Financial Reviews
- Federal Employer Identification Number (FEIN) and the Delaware IRS Group Exemption number no. 2155.

**Please note:** The group exemption number is only applicable to constituent units that have requested and received group exemption through Delaware PTA;

- Every PTA must have a FEIN (a nine-digit number) from the IRS. The FEIN number must be part of the permanent records of the PTA. The FEIN is required for setting up bank accounts and filing tax forms. If you do not know your FEIN, contact the Free State PTA office at [finance@fspta.org](mailto:finance@fspta.org). These numbers and the IRS Determination Letter (exemption letter) are kept in the permanent files of the Free State PTA.
- Copies of filed Form 990, 990-EZ, 990-N and other required IRS forms
- A copy of the Articles of Incorporation
- A copy of Annual Report/Personal Property Return forms
- A copy of all contracts, leases, and Approved Committee Plans of Work
- A copy of the Charitable Solicitation Registration and any other paperwork filed with the Secretary of State.

- Required historical PTA financial records as defined in the Record Retention Timetable.

## Relinquishing Office

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- Be sure that all State and National dues have been collected and remitted to Free State PTA.
- Gather the books and all needed documentation in preparation for the Financial Review.
- Prepare the Annual Financial Report (final Treasurer's report for the year).
- Prepare the Annual Financial Review Report for the review committee
- Make sure all required tax forms, both state and federal, have been prepared and/or submitted.
- Plan a transition meeting and aid the incoming treasurer with transition into the position.
- Arrange for the transfer of all records, reports, and files to the new treasurer.
- Arrange for new officers to sign signature cards at the bank promptly.
- Submit the Annual Financial Review to Free State PTA along with the Annual Financial Report, within 120 days of the close of the fiscal year **(October 31<sup>st</sup>)**.

# **RECORD RETENTION SCHEDULE**

It is extremely important that certain records of the association be retained. The following is a list of items/records that local PTA units should review on a periodic basis and keep in a safe place. (Required by IRS)

## **Permanently**

- Articles of Incorporation
- IRS Determination Letter and All Documents/Correspondence to or from the IRS.
- Sales & Use Tax Exemption Certificate (if PTA has one)
- Annual Financial Reviews
- Bylaws
- Checks for Taxes, Special Contracts, Etc., Should Be Filed with Documentation Pertaining to The Transaction.
- Contracts & Leases
- Corporation Reports
- Any Legal Correspondence
- Documentation Regarding Equipment Owned by the PTA
- Insurance Records Including:
  - Accident Reports
  - Claims
  - Policies and Certificates
- Journals
- Maryland Charitable Solicitation Certificate
- Minutes from Meetings
- PTA Charter
- Standing Rules
- Trademark Registrations

## **10 Years**

- Budgets Correspondence (general)
- Financial Statements
- Grant Award Documentation

## **7 Years**

- Accounts Payable Records
- Bank Statements
- Cash Receipt Records
- Checks
- Disbursement Requests
- Inventories of Property or Materials
- Invoices and Purchase Orders
- Sales Records

## **3 Years**

- Employee Records
- Employee Applications

## **1 Year**

- Bank Reconciliations
- Deposit Slips
- Vendor Correspondence

# TREASURER'S CHECKLIST

Use this checklist to keep track of accounting and up-to-date with Standards of Affiliation to remain in Good Standing.

## **Daily/Monthly routines include:**

- Collect/Count/Deposit All Funds Received Daily
- Pay All Budget/Board Approved Bills Promptly
- Keep Detailed Written and/or Electronic Records
- Balance Checkbook, Electronic or Hard Copy Bank Statement signed and dated by President, Treasurer and Non-Signer on Bank Account
- Prepare the Treasurer's Report for Board/Executive Committee/General Meetings
- Report and Submit Sales Tax according to your schedule **(if applicable)**
- Submit Membership Dues to Free State PTA and County Council if applicable

## **July**

- Send in Local Officer Contact Information to Free State PTA
- Liability, Bonding, And Directors and Officers Insurance Premium is **Due July 1<sup>st</sup>**
- Establish A Budget Committee and Prepare Budget for Upcoming Fiscal Year
- Prepare Annual Financial Report (Final Treasurer's Report with Budget Vs. Actuals)
- Prepare Annual Financial Review Report and Present records for the Annual Financial Review

## **August**

- Make Sure the Financial Review Is Conducted, if Not Already Completed
- Present Report of the Annual Financial Review to Board of Directors

## **September**

- Present Annual Financial Review Report to General Membership at First General Meeting
- Present Budget to General Membership for Adoption
- Submit Membership Dues to Free State PTA

## **October**

- Submit Membership Dues Payment to Free State PTA **by October 1st**
- Provide a copy of the Annual Financial Review and Annual Financial Report to Free State PTA **by October 31<sup>st</sup>**
- Prepare IRS 990 Forms for filing **Due November 15<sup>th</sup>**.

## **November**

- Provide a Copy of 990-EZ Forms or 990-N "Accepted" confirmation to Free State PTA
- File IRS Forms 990-N/990/990-EZ and Accompanying Schedules - **Due November 15<sup>th</sup>**
- Submit Membership Dues to Free State PTA.

## **December**

- Complete/Submit Annual Update of Registration & COF-85 or Exempt Organization Fundraising Notice **Due December 31<sup>st</sup>**
- Submit Membership Dues to Free State PTA.

## **January**

- Provide copies of Annual Update of Registration & COF-85 or Exempt Fundraising Notice to Free State PTA.
- Mail Payee's 1099-NEC and IRS 1096.if necessary - **Due January 31**
- Call Maryland Comptroller and report \$0 for sales tax **by January 20**
- Submit Membership Dues to Free State PTA

## **February**

- Submit Membership Dues to Free State PTA
- File Annual Report/Personal Property Forms Online - **Due April15**

## **March**

- Submit Membership Dues to Free State PTA **(by March 31 to determine delegate credentialing)**
- File Annual Report/Personal Property Forms Online - **Due April15**

## **April**

- File Annual Report/Personal Property Forms Online - **Due April15**
- Submit Additional Membership Dues to Free State PTA
- Look for Liability, Bonding, Directors and Officers Insurance Invoice from AIM Insurance - **Due July 1<sup>st</sup>**

## **May**

- Review Budget and Make Final Amendments
- Submit Additional Membership Dues to Free State PTA.
- Look for AIM Insurance Invoice- **Due July 1<sup>st</sup>**

## **June**

- Complete all Fiscal Year Transactions **by June 30**
- Prepare Books for Annual Financial Review
- Pay Liability, Bonding, And Directors and Officers Insurance **by July 1**

# Accounting Principles & Internal Controls

Principles of PTA Financial Management

Internal Controls

Disbursing Funds

Online Banking

Statements & Reconciliation

Advance Form

Depositing Funds

Accepting Credit Cards

PayPal

Gift Cards

## Principles of PTA Financial Management

- The budget is approved by the General Membership according to the Bylaws.
- The Treasurer and other Officers authorized to handle funds must be insured.  
**(See Free State PTA Insurance Guide provided by AIM Insurance for more information)**
- The Treasurer supervises all funds.
- The Treasurer and one other Officer must sign all checks. Per the Bylaws, **Article VII, Section 4**, states **“have checks or vouchers signed by two persons, the treasurer and one other authorized officer.”**
- **AUTHORIZED CHECK SIGNERS ARE NOT RELATED OR LIVING IN THE SAME HOUSEHOLD.**
- **NEVER sign a blank check. NEVER write a check to cash.**
- Use carbonless copy checks for quick payment reference. (duplicate checks)
- Pay **ALL** PTA obligations and/or liabilities by **CHECK ONLY – NEVER USE CASH.**
- Follow E-Commerce Policy
- All funds are deposited into **AUTHORIZED** PTA bank accounts **ONLY – NO EXCEPTIONS.**
- **PTA FUNDS MUST BE KEPT SEPARATE FROM SCHOOL FUNDS OR PERSONAL FUNDS AND SHOULD NEVER BE PLACED IN A SCHOOL SAFE.**
- Always issue a receipt for funds received.
- **Cash Verification forms MUST be used when counting money.**
- **Two (2) people MUST ALWAYS** count money, and both sign and keep a copy of the receipt verifying the amount. The **Treasurer** verifies the amount and signs off before depositing. Best practice is that there should always be two people present when money is being handled.
- **Disbursement/Reimbursement forms MUST be used for all obligations/liabilities.**
- Bank and financial service accounts and statements are reconciled monthly.
- Credit cards, Debit Cards, and Online Banking are permitted with mandatory dual authorization guidelines in place.
- Gift Cards are now permissible with strict guidelines.
- Maintain current, complete, and accurate record keeping of all funds by written or electronic ledger.
- The Treasurer reports monthly on all PTA transactions.
- **A Financial Review Committee conducts a review of financial records annually after June 30<sup>th</sup>.** A review is also conducted in the event a treasurer or other signature holder leaves office prior to the Annual Financial Review.
- Use the address of record recognized by IRS only for all PTA correspondence.

## **Internal Controls**

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Internal Controls are the financial policies and procedures that enable the PTA to safeguard its assets.

The best internal controls are transparent and involve several people in its processes. This section outlines internal controls PTAs need to implement to prevent theft, fraud or misappropriation of funds to protect the organization and its assets.

All PTA funds and assets, including checking accounts, savings accounts, and certificates of deposit, etc., are the property of the PTA unit. Treasurers, who have custody of funds, shall keep complete records of their receipts and disbursements. PTAs involved in various activities must recognize the responsibilities of the officers and members in conducting the affairs of the association.

### **Signature (Check Signing) Authority**

At least **three (3)** Executive Committee officers are check signers on the authorized PTA bank account.

- The President, Treasurer and one other officer.

Bank signature cards are updated with every change of officers. Contact the PTA bank for their change of signatory protocol. This needs to be done:

- after the end of every fiscal year;
- if an officer resigns or is removed.

**The current Free State PTA local unit bylaws require two (2) persons:**

- 1. The Treasurer and one other officer signs ALL checks.**

**The only time the Treasurer does not sign a check is when the Treasurer needs to be reimbursed. In this case, the other two officers sign the check. For all other liabilities/obligations checks MUST be signed by the Treasurer.**

**AUTHORIZED CHECK SIGNERS ARE NOT RELATED OR LIVE IN THE SAME HOUSEHOLD.**

If your Executive Committee has married or related officers, **ONLY ONE** can be a signer on the checking account. (See Conflict of Interest in the 501(c)(3) Section)

## **Disbursing Funds**

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After the proposed budget is approved by the General Membership, the PTA can begin using funds for all approved budgeted financial obligations. It is the responsibility of the Treasurer to make sure these items are disbursed correctly. **PTA funds are disbursed for APPROVED budget items only.**

As part of required record keeping, a **DISBURSEMENT/REIMBURSEMENT FORM** must be submitted to the Treasurer before a check can be issued.

**ORIGINAL RECEIPTS AND INVOICES MUST BE ATTACHED. RECEIPTS MUST SUPPORT ALL DISBURSEMENTS.**

All PTA obligations/liabilities **MUST** be paid by **check only**. There must be a **"paper trail"** to support all transactions so that the yearly financial review can be done properly and to support any potential review by the IRS. Checks provide this "paper trail".

PTA leaders cannot afford to be timid about this issue! If a parent, teacher, administrator, or anyone else has an adverse response to your request for receipts, such as "What's the matter, don't you trust me?" Simply respond, "Yes, we trust you, but the IRS doesn't."

**NEVER write checks payable to "CASH". Checks are ALWAYS made out to a verifiable person, business or entity. NEVER USE CASH; CASH IS NOT TO BE DISBURSED AS A REIMBURSEMENT OR AS "PRIZES".**

A **Disbursement/Reimbursement Form** is used to request a reimbursement or a disbursement of funds for an approved budget expense, classify receipts and document proof of the approved expenditure.

**The form is filled out as follows:**

**DATE** - the date the request.

**PAY TO THE ORDER OF** - the name of the person or company to whom the check is made payable.

**NEVER MAKE OUT A CHECK TO "CASH"**

**AMOUNT** - the dollar amount of the requested disbursement.

**CHARGE TO ACCOUNT** - the name of the approved budget line item account that the disbursement is to be charged to (i.e. Membership, Hospitality, Scholarships, etc.).

**ACCT. NO.** - the number/letter, if used, of the budget line item account that is being charged.

**APPROVED BY** - signature of the PTA officer approving the disbursement. This should not be the same officer being reimbursed. Another officer should sign approval.

**TITLE** - title of the PTA officer approving the disbursement.

**REQUESTED BY** - signature of the person requesting reimbursement.

**PURPOSE** - a detailed explanation of the purpose for the disbursement, such as "Refreshments provided for visitors during American Education Week".

**ITEMIZE EXPENSES BELOW** - a breakout of the expenditures, such as:

- 5 boxes of cookies - \$12.68
- 2 lb. of coffee - \$4.25
- 1 box of tea bags - \$3.25
- 1 box of sugar packets - \$4.00

If you need more space, write, "See attached sheet" and attach a separate sheet of itemized purchases. You might also indicate the name of the vendor.

**TOTAL** - the total sum of the individual purchases.

**PAID BY CHECK NO.** - number of the check used for disbursement (filled in by the treasurer).

**DATE** - the date the check is written (filled in by the treasurer).

**TREASURER** - the signature of the treasurer.

**RECEIVED BY** - the signature of the payee acknowledging receipt of check.

**IF AN OFFICER NEEDS TO BE REIMBURSED, THAT OFFICER DOES NOT APPROVE THEIR OWN REIMBURSEMENT ON THE FORM AND DOES NOT SIGN THE CHECK MADE PAYABLE TO THEMSELVES. ANOTHER OFFICER ON THE ACCOUNT AND THE TREASURER MUST SIGN THE CHECK.**

**ALL RECEIPTS AND CANCELED CHECKS MUST BE ATTACHED TO THE DISBURSEMENT REQUEST FORM AND FILED FOR FINANCIAL REVIEW.**

## **Start-up Funds**

Funds to make change at events or fundraisers are usually required when charging for admission or selling items. **When change is needed, a check should be made payable to a PTA officer or the event chair for the amount. The payee can then take the check to the PTA bank and cash it for the denominations needed.**

**PERSONAL FUNDS SHOULD NEVER BE USED FOR CHANGE AND COMMINGLED WITH PTA FUNDS.**

If, for some unforeseen reason, funds cannot be retrieved from the bank and personal funds are used for change, the following process must be followed:

- 1. Cash is not given back for reimbursement.**
- 2. The PTA **MUST** issue a check for the change reimbursement.**
- 3. A Disbursement form must be filled out and signed.**

# PTA DISBURSEMENT/REIMBURSEMENT FORM

Date: \_\_\_\_\_

Pay to the order of: \_\_\_\_\_  
(Name of payee or vendor)

Total Amount: \$ \_\_\_\_\_

Amount \_\_\_\_\_ dollars \_\_\_\_\_ cents  
(write out dollar amount) (write out cents)

Charge to account \_\_\_\_\_ Acct.# / Letter \_\_\_\_\_  
(Line item description from budget) (number / letter from budget)

Requestor's Signature: \_\_\_\_\_  
(Signature of person submitting request)

Approved by: \_\_\_\_\_ Officer Title: \_\_\_\_\_

**Please staple ORIGINAL RECEIPTS to this form prior to submitting to the treasurer.**

\*\*\*\*\*

**Reason for Purchase:**


**List Itemized Expenses:**


(attach added sheet, if needed)

**PLEASE DO NOT WRITE BELOW THIS LINE.**

\*\*\*\*\*

Total Amount: \$ _____	Paid by Check# _____	Date Disbursed: _____
Plan of work: Yes _____ No _____	Approved Expense: Yes _____ No _____	Advance: Yes _____ No: _____ Advance Form Attached? Yes _____ No _____
Membership Dues: \$ _____	#of Memberships _____	Date Sent to FSPTA: _____

Treasurer: \_\_\_\_\_ Date: \_\_\_\_\_  
(Signature)

Received by: \_\_\_\_\_ Date: \_\_\_\_\_  
(Signature)

## **Traditional Banking**

### **Bank Statements and Reconciliations**

#### **Reconcile monthly as soon as bank statements are received.**

Mailed statements and reconciliations **MUST** be signed by the president, treasurer and a non-signer on the bank account. Downloaded bank statements should be accomplished by two individuals.

Statements should first be opened, reviewed and initialed by someone who does not have access or is not a signer on the bank account.

Statements then go to the Treasurer and President to be reviewed and signed. The checkbook is reconciled to the bank statement immediately.

A copy of the monthly bank reconciliation is submitted to the Board along with the monthly Treasurer's Report.

## **E-Commerce Policy**

A PTA's membership must vote to authorize one or more of the following e-commerce options. The PTA must include the corresponding language in their standing rules or adopt a separate policy. PTAs that are adopting this language as a separate policy should note that all standalone policies must be reviewed and adopted annually.

Please choose one or more of the following e-commerce options that may apply to the PTA:

#### **Recurring Payments**

Recurring payments for PTA expenses may be set up to be deducted directly from the bank account. At the first membership meeting of the year, a motion is made to approve the recurring payment to the specific vendor.

#### **Credit/Debit Cards**

- Cards are issued to authorized signers on the bank account and include the name of the PTA.
- Each account should have the President and Treasurer and a back up executive board member as signatories.
- No two signatories should live in the same household.
- All signatories are required to sign a credit card policy agreement and a credit card use agreement.
- The credit limit should not exceed half of the income on the budget approved at the annual meeting.
- No cash transactions (ATM, cash back, etc.) are allowed.
- The cards are in the possession of the Treasurer and are used by members of the executive board via a checkout log for approved expenses only (approved budget items). The log is kept with the Treasurer's book for record purposes.
- Prior to the use of the credit or debit card, a funds/disbursement request form is completed and submitted. Following the purchase, the receipt is given to the Treasurer and attached to the funds/disbursement request form.
- A change in signatory on the checking account requires a change in signer on the credit card, and a financial reconciliation shall be performed. This also applies when fraud or misuse of the card has been discovered.
- If the card is lost or stolen, the account must be reconciled to identify any unauthorized transactions.

## **Online Banking**

- At least one person who is not on the bank account as a signatory, should have view only privileges.
- The Treasurer should have full online banking privileges. The other signatories should have viewing and approving privileges only.

- It is required that automatic account activity notifications be sent when money is deducted from a bank account.
- If the bank allows, you may utilize an approval system that holds charges until it is electronically approved by another signatory.

### **Alternative for banks that do not have this electronic approval process**

- Create a pre-approval process for charges (online, ACH, and credit card) that shows that all signatories agreed to an anticipated charge
- Charges should be within budget
- A form can be completed and signed verifying that all parties agree to the charge
- This form shall be submitted with the disbursement form

### **Online & Point of Sale Payment Collection Systems**

- The PTA membership must approve the use of an online and/or point of sale payment collection system.
- The payment collection system must be in the PTA's name.
- The payment collection system's statements must be clear with detailed and accessible information on a real-time basis. The PTA must have immediate access to know who has paid, the purpose of the payments, and the expected cash transfer amount.
- Associated fees are budgeted as an expense line item and are accounted for and reported in every financial report. The PTA must check for these fees often to ensure that the financial statement is accurate and that the fees are correct.
- All revenue is accounted for and reported in every financial report in the corresponding budgeted income category or categories.

### **E-Commerce Policy**

- Reconciliations must occur on a monthly basis. Whether a manual or automatic transfer to the PTA bank account occurs, transfers should occur at least monthly and proper documentation is required as with a traditional bank deposit. For daily deposits, a weekly summary of the deposits may be documented on a single deposit form.
  - The deposit form should have the online transaction confirmation attached and does not need counters' signatures as you are receiving a bulk deposit.
  - The deposit form should include the amount of the deposit, which budget lines are impacted including the incurred fee budgeted expense.
  - Alternatively, if fees are charged monthly, a funds request form should be used to document.
- The payment collection system must be Certified Compliant with the Payment Card Industry Data Security Standards (PCI DSS).
  - Card numbers are not to be written down for any reason. Only swiped transactions that are immediately authorized, via internet or phone access, are accepted. The PTA does not swipe or store transactions for later settlement.
  - In the case of electronic payment disputes, the PTA should be familiar with the payment collection system's policies on challenging a disputed payment. Any challenge of payment must be responded to promptly and accurately.
  - Only the PTA Treasurer has access to issue a refund to the customer. Confirming a refund requires the same approvals and documentation as required for a funds request form. The authorized refund is recorded in the check registry prior to withdrawal. If merchandise has not already been provided, goods and services are withheld until the dispute is cleared. If the dispute is not resolved favorably, the action is treated in the same manner as a non-sufficient funds check.

## **ADVANCE FORM**

Occasionally, there is a need to advance funds to committee chairs or members to buy items needed for events, programs, etc. **An Advance Form MUST be used for this process.**

**The form must be filled out as follows:**

**NAME-** name of person to whom funds are being advanced

**FUNDS REQUESTED FOR-** reason funds are being requested, i.e., supplies for Fall Fest

**LIST ESTIMATED COST-** estimate costs for items needed

**TOTAL ADVANCE REQUESTED-** estimated advance amount needed

**NAME OF REQUESTOR-** printed name of requestor

**SIGNATURE OF REQUESTOR-** signature of requestor

**PRESIDENT'S SIGNATURE-** president must sign prior to check being issued

**TREASURER'S SIGNATURE-** treasurer must sign prior to check being issued

**AN ESTIMATE IS MADE OF AMOUNT NEEDED FOR THE ADVANCE.**

**ORIGINAL RECEIPTS MUST BE PROVIDED WITHIN TWO (2) WEEKS OF ADVANCE, PROVING THAT FUNDS WERE SPENT FOR THE ADVANCE PURPOSE. IF ALL ADVANCE FUNDS WERE NOT SPENT, THE REST MUST BE RETURNED TO THE PTA.**

**IF THE REQUESTOR SPENDS MORE THAN THE ADVANCE TOTAL, AND THE BOARD APPROVES, THE ADDITIONAL FUNDS SPENT BY REQUESTOR MAY BE REIMBURSED.**

**THIS IS A LEGALLY BINDING DOCUMENT. THE REQUESTOR OF THE ADVANCE MUST ABIDE BY THE FORM'S TERMS. IF NOT, THE PTA HAS THE RIGHT TO PURSUE REIMBURSEMENT OF THE FUNDS.**

# REQUEST FOR ADVANCE/PAYMENT AUTHORIZATION PTA/PTSA

**ATTACH ALL RECEIPTS TO THIS EXPENSE STATEMENT**

Name \_\_\_\_\_ Phone \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

Zip \_\_\_\_\_

Funds requested for: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

List estimated costs:\$ \_\_\_\_\_

**TOTAL ADVANCE REQUESTED \$** \_\_\_\_\_

I request the above advance for expenses of authorized PTA business. Within two weeks of the completed assignment, I agree to submit an expense statement along with the required original receipts and to refund any unused portion of the advance or to claim money due to me, providing the total is not in excess of the approved amount.

Name of Requestor: \_\_\_\_\_

*Print Name*

Signature \_\_\_\_\_ Date: \_\_\_\_\_

**FOR PTA TREASURER USE:**

<input type="checkbox"/> Membership-approved activity	<input type="checkbox"/> Funds released by membership	<input type="checkbox"/> Executive Board-approved expenditure
---	---	---

President's signature: \_\_\_\_\_ Date: \_\_\_\_\_

Treasurer's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Attach to Disbursement form**

## Depositing Funds

A primary duty of the Treasurer is the **PROMPT** depositing of PTA funds into the PTA's bank account, and the proper and correct recording of that deposit in the PTA's books.

A **Cash Verification Form** is used to enhance the record keeping process. Cash is broken down into denomination, coins, checks, gift cards, PayPal, etc., then totaled.

**A Cash Verification Form **MUST** be used to document all funds received. The form is filled out as follows:**

**DATE-** date of the event

**NAME OF THE EVENT & CHAIR-** name of the event funds are being collected from and chair of the event

**CHECKS- #OF CHECKS-** use the check register on the back of the form to document each check received, write the total number of checks received on this line.

**TOTAL AMOUNT OF CHECKS-** write the total amount of all checks documented on the check register

**GIFT CARD/CERTIFICATE/PREPAID CARD #OF CARDS & TOTAL VALUE-** when receiving gift cards, use the **GIFT CARD** sheet to document gift cards. Write total # of cards received and their total value on this line. The Treasurer will need this to add to the Treasurer's report.

**CASH/PAYPAL DEPOSIT-** list the # of bills for each type of currency/coin. Write total of each type of currency in the Amount section. Add all together and write in the TOTAL section.

**TOTAL AMOUNT CASH \$-** add all total amounts of currency together and enter in the total deposit of cash.

**TOTAL AMOUNT PAYPAL DEPOSIT-** write in total amount of PayPal funds being transferred into the bank account.

**TOTAL DEPOSIT-** Add check amount, cash amount, and PayPal amount together for total deposit.

**COUNTER'S SIGNATURE-** signature of person counting funds.

**TREASURER'S SIGNATURE-** treasurer verifies amounts and signs form prior to deposit.

**THE TREASURER MUST MAKE SURE THIS FORM IS FILLED OUT IN ITS ENTIRETY AND SIGNED BEFORE ACCEPTING FUNDS.**

- All exchanges of money are counted by at least **two (2) people** (including the provider and the recipient of the funds) with both signing a Cash Verification form confirming the amount. The Treasurer is the third signature verifying the totals prior to deposit.
- All funds received are deposited daily into an **AUTHORIZED** bank account in the name of the PTA, which has been approved by the PTA's Board of Directors.
- **Night deposit bags can and should be used. Contact your bank for details.**

**PTA FUNDS ARE **NEVER** DEPOSITED INTO ANYONE'S PERSONAL ACCOUNT, A SCHOOL BANK ACCOUNT, A SCHOOL SAFE OR THE BANK ACCOUNT OF ANOTHER ORGANIZATION.**

- All checks are endorsed immediately: "**For Deposit Only**" with name of PTA and Bank Account number. The bank may provide a pre-inked stamp with this information or one may be purchased.
- Deposit slips are attached to the **Cash Verification** form for the Treasurer's records.
- Deposits are recorded promptly in the PTA ledger/software.

If the PTA is planning a fundraising activity that will involve large sums of money, the Treasurer should arrange to deposit the money in the bank immediately. Use Night deposit bags if necessary. The Treasurer should coordinate with the chair of the event to obtain the funds from the activity immediately after the conclusion of the activity.

**IF THE PROJECT IS A CONTINUING ONE, THE MONEY MUST BE DEPOSITED DAILY IN THE PTA'S BANK ACCOUNT.**

**DO NOT HOLD FUNDS OVER SEVERAL DAYS.** Arrangements can be made beforehand for a police escort to the bank if substantial amounts of money are expected from a fundraiser.

# PTA CASH VERIFICATION FORM

Event: \_\_\_\_\_ Date: \_\_\_\_\_

Event Chair: \_\_\_\_\_ Phone: \_\_\_\_\_

Form submitted by (if different than Event Chairperson): \_\_\_\_\_

**CHECKS** #of checks \_\_\_\_\_ Total Amount of Checks \$ \_\_\_\_\_

Use the reverse side of the form to itemize all checks and transfer your totals above.

**GIFT CARD/CERTIFICATE/PRE-PAID CARD** #of Cards \_\_\_\_\_ Total Value \$ \_\_\_\_\_

Use Gift Card Record Sheet to keep track of all Gift Cards, etc.

When receiving gift cards fill in lines above to record in the Treasurer's Report.

**CASH/PayPal** Deposit: Total PayPal\$ \_\_\_\_\_ Total Amount Cash\$ \_\_\_\_\_

Write sum of **Total PayPal** deposits on PayPal line above.

Write the sum of the **Total Bills** and the **Total Coins** in the **Total Cash** line above.

Type of Bill	#	Amount	Type of Coin	#	Amount	PayPal Deposits	Gift/Certificate/ Prepaid Cards
\$100.00		\$ .	Dollar		\$ .	\$ .	\$ .
\$50.00		\$ .	Half-dollar		\$ .	\$ .	\$ .
\$20.00		\$ .	Quarter		\$ .	\$ .	\$ .
\$10.00		\$ .	Dime		\$ .	\$ .	\$ .
\$5.00		\$ .	Nickel		\$ .	\$ .	\$ .
\$2.00		\$ .	Penny		\$ .	\$ .	\$ .
\$1.00		\$ .	<b>TOTAL</b>		\$ .	\$ .	\$ .
<b>TOTAL</b>		\$ .					

**TOTAL DEPOSIT \$** \_\_\_\_\_

Write the sum of the **Total Checks**, **Total Gift Cards** and the **Total Cash** in the **Total Deposit** line above.

Counter's Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
(Print and Sign)

Counter's Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
(Print and Sign)

Treasurer's Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
(Print and Sign)

**Free State PTA financial policy requires that at least two (2) people are responsible for counting money at the end of each event.**

1. At least one counter **must** be a PTA Board Member, but not necessarily the Chairperson of the event.
2. Each counter and the event chairperson should keep a copy of this signed form for his/her records.
3. At no time should PTA funds be taken home by a volunteer.
4. Money should be counted immediately at the close of each event and transferred into the Treasurer 's custody.

**THE TREASURER SHOULD NOT RECEIVE MONEY THAT IS NOT ACCOMPANIED BY THIS FORM, COMPLETED IN ITS ENTIRETY.**

	Last Name	Check #	Amount		Last Name	Check #	Amount
1			\$ .	41			\$ .
2			\$ .	42			\$ .
3			\$ .	43			\$ .
4			\$ .	44			\$ .
5			\$ .	45			\$ .
6			\$ .	46			\$ .
7			\$ .	47			\$ .
8			\$ .	48			\$ .
9			\$ .	49			\$ .
10			\$ .	50			\$ .
11			\$ .	51			\$ .
12			\$ .	52			\$ .
13			\$ .	53			\$ .
14			\$ .	54			\$ .
15			\$ .	55			\$ .
16			\$ .	56			\$ .
17			\$ .	57			\$ .
18			\$ .	58			\$ .
19			\$ .	59			\$ .
20			\$ .	60			\$ .
21			\$ .	61			\$ .
22			\$ .	62			\$ .
23			\$ .	63			\$ .
24			\$ .	64			\$ .
25			\$ .	65			\$ .
26			\$ .	66			\$ .
27			\$ .	67			\$ .
28			\$ .	68			\$ .
29			\$ .	69			\$ .
30			\$ .	70			\$ .
31			\$ .	71			\$ .
32			\$ .	72			\$ .
33			\$ .	73			\$ .
34			\$ .	74			\$ .
35			\$ .	75			\$ .

# of checks \_\_\_\_\_

Total Checks \$ \_\_\_\_\_

Write this total on front page on the **Total Amount of Checks** line

## Bookkeeping

Bookkeeping is the systematic and accurate recording of the financial transactions of the association.

This process should preserve a current and complete record of the financial transactions of the association. The information may be used to develop periodic reports, give a basis for projections, evaluate the success of a program or venture, serve as an important instrument for the yearly financial review (or a random IRS audit) and/or prove that the local unit is being properly managed.

There are many methods of recording financial information. A good record keeping system must be:

- **simple to use;**
- **consistent;**
- **accurate;**
- **reliable;**
- **easy to understand;**
- **designed to provide information on a timely basis.**

A sample of a suggested bookkeeping process with sample ledger pages for PTAs is depicted below. This process, if followed, will provide a current status of all accounts and assist in the preparation of the required reports.

### CASH RECORD/GENERAL LEDGER

The cash record, or general ledger, is a bound book or electronic ledger (i.e. Quicken, Excel or similar software) listing all the financial transactions for the organization in the order in which they occur, listing amounts, accounts, and other pertinent information relating to the transaction. A sample of a Cash Record or General Ledger is shown below. The titles in the headings of the ledger page are defined as follows:

**DATE** - the date of transaction (deposited in the bank or date a check is written).

**TRANSACTION** - An indication of the source of funds credited to the account as a receipt or the payee of the check or bank charge if a disbursement.

**ACCT No.** - a number/letter assigned for each budget line item.

**RECEIPT** - the amount of money deposited to the account either at the bank, transferred from PayPal or bank interest.

**DISBURSEMENT** - the amount of money distributed as the result of writing a check.

**BALANCE** - the current amount of the money in the account.

#### CASH RECORD (GENERAL LEDGER)

DATE	CK No.	TRANSACTION	ACCT No.	RECEIPT	DISBURSEMENT	BALANCE
7/1/	-	Balance brought forward				4,428.47
9/3/	923	Insurance	15		145.00	4,283.47
9/8/	--	Deposit Membership Dues	1	598.50		4,881.97
9/9/	924	PTA Council - Dues	11		34.20	4,847.77
9/10/	925	MD PTA – Convention Registration	13		36.00	4,811.77
9/10/	926	Jane Doe - Hospitality Exp.	21		8.00	4,803.77
9/10/	927	Mary Smith - Membership Exp.	21		10.00	4,793.77
10/3/	928	Bob Brown - Supplies -paper	20		38.00	4,755.77
10/15/	--	Deposit - Membership & Candy	1,3b,4	625.81		5,381.58

**DEPOSIT LEDGER**

The deposit ledger is a bound book or electronic ledger (i.e. Quicken, Excel or similar software) listing all the receipt transactions for the association from the cash record. It provides a means of accounting for funds from different sources made on one deposit, provides an accounting of all deposits by source, and provides a method of determining if the amount of funds raised will require the preparation of tax returns.

Below a sample deposit ledger page is given to show how the PTA's deposits can be recorded to give information for reporting and evaluating the PTA's income. This example shows a limited number of income categories and lines, but the concept can be expanded to accommodate the sources of income that your PTA may need.

**DATE** - the date a deposit, bank credit or PayPal transfer is made (the same as listed in the cash record).

**TOTAL DEPOSIT** - the total amount of money included on each deposit slip (same as in the cash record).

**MEMBERSHIP** - the amount of the total deposit that is from membership dues.

**INTEREST** - interest credited to the account by the bank.

**CANDY SALE** - the amount of the deposit that is from candy sales to the PTA.

**PROGRAM REVENUE** - the amount of the deposit that is from Program Services.

**DEPOSIT LEDGER**

DATE	TOTAL DEPOSIT	MEMBERSHIP	DONATIONS	INTEREST	CANDY SALE	PROGRAM REVENUE
9/8/	598.50	598.50				
10/15/	625.81	525.00			95.10	5.71

**DISBURSEMENT LEDGER**

The Disbursement Ledger records the status of each of the budget disbursement lines. It lists all disbursement transactions from the cash record and enters the transaction on a page similar to that shown below. A page should be provided for each of the budget disbursement lines (on some large ledger pages, it may be possible to combine several budget lines). The headings of the columns in the disbursement ledger are defined as follows:

**DATE** - date a check is written or that a transaction occurs (same as defined for cash record)

**TRANSACTION** - the payee of the check or bank charge (same as defined for the cash record)

**DISBURSEMENT** - the amount of the disbursement (same as defined for the cash record)

**TOTAL DISBURSEMENT** - the total expense since budget approval (obtained by adding the amount of the disbursement to the amount shown on the previous line). This amount is the amount reported in the total to date column of the treasurer's report.

**BUDGET REMAINING** - the amount remaining in the budget line item (obtained by subtracting the amount of the disbursement from the total shown on the previous line). This gives an instant status of the money available for the rest of the fiscal year.

**DISBURSEMENT LEDGER**

DATE	CK. No.	TRANSACTION	DISBURS EMENT	TOTAL DISBURSEMENT	BUDGET REMAINING
7/1/		Approved Budget	-	-	700.00
9/10/	926	Back to School Night	8.00	8.00	692.00
10/15/	929	Board of Directors meeting	7.35	15.35	684.65

## Merchant Services/Accepting Credit Cards

An excellent resource for PTA/PTSA's to collect membership dues, donations, fundraisers, etc., is to accept credit cards. Most people today use credit cards instead of cash or checks. Having the choice to accept credit cards can potentially improve your revenue. If you have a PTA/PTSA website or other social media outlet, you may be able to add a PayPal button to your page. Usually these buttons are not allowed on the school's website. Check with your school for their policy.

**THE PTA GENERAL MEMBERSHIP MUST APPROVE THE USE OF AN ONLINE PAYMENT COLLECTION SYSTEM, i.e., PAYPAL, SQUARE, ETC. A VOTE BY THE GENERAL MEMBERSHIP, WITH APPROVAL, MUST TAKE PLACE PRIOR TO THE SET-UP AND USE OF ANY MERCHANT SYSTEM.**

### PayPal

PayPal can help your PTA easily accept donations, collect membership dues and more. This option lets donors complete their transactions on the PayPal website.

Note that you must have a PayPal Nonprofit Business account not a Personal account – to accept donations for your PTA. The PayPal account must belong to the PTA/PTSA. You will have to confirm your nonprofit status to be eligible for the lower nonprofit transaction rate.

**The following information is required to set up a PayPal Nonprofit account:**

- Evidence of Nonprofit Registration
  - **Articles of Incorporation**
  - **IRS 501(c)(3) Determination Letter**
- A Pre-Printed Bank Statement or Voided Check from Your Account
- Starter checks are not acceptable
- The PTA Needs to Own Each Bank Account Linked to This PayPal Account
- No Personal Bank Accounts
- Information About How You Intend to Use the Money
- Donations or Membership Fees, Etc.
- Mission Statements
- You Can Use the Mission and Purpose of the PTA, Found in Your Bylaws.
- A Subordination or Fundraising Letter
- A Letter Explaining Who Your PTA Is and Why You Are Raising Funds

**PayPal uses the above documentation to meet the standards below:**

- To verify that your PTA/PTSA is a registered 501(c)(3), so the PTA can receive discounted rates for 501(c)(3) organizations.
- To ensure PayPal is meeting their regulatory requirements for the government.
- To reassure donors that their money is going to a registered nonprofit organization.

### PayPal/Square - Credit Card Readers

A credit card reader will allow you the ability to accept donations, dues, and fundraising payments in person at events.

**The credit card reader must belong to the PTA/PTSA.** If you will use the device often, the PTA/PTSA should consider buying a tablet/device to use for this purpose. This will prevent any liability that may arise when asking members to download apps on their personal devices.

## PayPal/Square - Bookkeeping

While PayPal is an electronic form of receiving revenue, you must still treat it the same as you do cash. The same Financial Management principles apply.

- The PayPal/Square account **MUST** be in the PTA's name.
- PayPal/Square account **MUST** be linked to an **Authorized** PTA bank account.
- All funds **MUST** be deposited into an **Authorized** PTA bank account.
- Two (2) Officers (signers on bank account) and one (1) non-signer should have access to the account.
- These **three (3)** people will sign off on all PayPal statements monthly and have access to the PayPal account. **They are the Treasurer, President and one non-signer.** The non-signer is someone **NOT** on the PTA bank account but will have access to the PayPal account as another form of internal control. An officer **NOT** on the bank account is an option.
- The same internal control procedures apply as with a cash bank deposit.
- PayPal/Square bank reconciliations must occur monthly.
- PayPal/Square statements and reconciliations must be signed by the president, treasurer and a non- signer, same as regular bank statements.
- Document on the **Cash Verification form** the amount of each transaction and the budget line to which they correspond.
- Attach a copy of the online transaction statement to the Cash Verification form.
- The Cash Verification Form **MUST** be signed by **two (2) people and the Treasurer** reviewing the account or statements when deposits are made into the PTA bank account.
- Consider reviewing the statements and deposits at a monthly meeting.

All revenue **MUST** be accounted for and reported monthly in every Treasurer's report in the budgeted income category. **BE AWARE OF SERVICE FEES.** This will come out of your revenue, so make sure you are keeping track. **Service Fees and other associated fees MUST be budgeted as an expense line item and MUST be accounted for and reported on the financial statement.** The PTA must check for fees often to ensure that the financial statement is accurate.

When choosing any merchant service, you must do your research! Make sure it is a legitimate, safe business.

**YOUR FIRST PRIORITY IS TO PROTECT THE FUNDS/ASSETS OF THE PTA AND THE PTA'S TAX-EXEMPT STATUS.**

If there is any question or concern about a service, please contact Free State PTA.

## Gift Cards, Gift Certificates, and Prepaid Cards

The use of gift cards, gift certificates, and prepaid cards for any purposes is strongly discouraged due to IRS regulations and accounting control issues. Refer to IRS Publication 963 for specifics. The information below explains why.

### **CAN A PTA PURCHASE GIFT CARDS TO USE AS AN INCENTIVE FOR PARENTS, STUDENTS OR TEACHERS OR TO USE AS A DOOR PRIZE?**

**The IRS issued an opinion that gift cards, prepaid cards, gift certificates, and gift coupons which have a face value on them, are considered cash equivalents.**

**Free State PTA's financial procedures state that checks are NEVER made payable to cash.** Free State PTA financial internal controls require original receipts be provided for reimbursement of items purchased or an invoice for services rendered, prior to issuing a check. **Therefore, a gift certificate/gift card, as a cash equivalent, would be prohibited by Free State PTA disbursement of funds policy.** In addition, distributing gift cards and certificates to individuals violates PTA Bylaws on **individual member benefit.** The Bylaws reference this specifically, as it is an IRS requirement for nonprofit classification as a 501(c)(3).

**Using gift cards as incentives (this applies to door prizes, thank you gifts, etc.) could be considered compensation by the IRS.** Once a PTA has given compensation to a volunteer, the PTA has made them a compensated employee. It does not matter what you call the person, it comes down to the substance of the transaction. As a volunteer, they would fall into the category of "employee" rather than "independent contractor," so, if they receive a gift card, the PTA would be required to issue a W2 and take out appropriate withholding. The amount of the gift card is not a factor when required to issue a W2. **The bottom line is that gift cards are the same as cash. All PTA policies and requirements dealing with the receipt and disbursement of cash apply.**

The IRS also has extensive guidelines for 501(c)(3) tax-exempt charities on paying excess benefits to volunteers in IRC Sec. 4958. **The IRS will impose excise tax on the nonprofit for excess benefit transactions between the tax-exempt organization and a "disqualified person"**. According to the IRS, a disqualified person is **any person** who is in a position to exercise substantial influence over the affairs of the applicable tax-exempt organization. **It is not necessary that the person actually exercise substantial influence only that the person be in a position to do so.** You can find this information on Section 4958 of the Internal Revenue Code which details excise tax and defines "disqualified person" at the link below.

<https://www.irs.gov/charities-non-profits/charitable-organizations/intermediate-sanctions>

### **WHAT IF THE GIFT CARD IS DONATED RATHER THAN PURCHASED?**

**The IRS does not distinguish whether an organization buys gift cards/certificates, or if they were donated by a business; to the IRS, it is the same.** The only time that a donated gift card can be used is **(a) in a silent auction (not a raffle) or (b) if the organization uses the donated gift card to purchase items that benefit the whole organization; not individuals.**

One example would be to use a donated gift card from Office Depot to purchase supplies for the PTA officers and chairs. Another example would be to use a donated gift card from a grocery store to buy refreshments for a membership meeting. **When donated gift cards are used for these purchases, a disbursement form must be completed with receipts attached for the Financial Review Committee to verify that funds were spent appropriately.**

### **CAN A DONATED GIFT CARD EVER BE UTILIZED BY THE PTA?**

**When gift cards are donated to the PTA, extensive accounting controls must be in place for distribution.**

Since having gifts cards on hand is the equivalent of having cash on hand, the following are recommended controls and procedures for the distribution and use of gift cards, gift certificates, and prepaid cards:

- A **Cash Verification form MUST** be filled out and signed by two signers and the treasurer for all donated gift cards, gift certificates and prepaid cards, including the donor name, the date of receipt, and the value.
- Use a **Gift Card/Certificate Record Sheet** to keep track of gift cards.
- Values **MUST** be recorded in the treasurer's report as this is a form of cash. A line item for gift cards and cash equivalents should be included in the budget in Receipts and Expenses.
- When gift cards are used, a **Disbursement form MUST** be completed with receipt(s) attached and signed appropriately for the Financial Review committee to verify that funds were spent appropriately.
- The forms and receipts should be filed in the Treasurer's books and provided for the Financial Review.

**AS A 501(C)(3) NON-PROFIT ORGANIZATION, PTAs MUST FOLLOW IRS GUIDELINES OR RISK JEOPARDIZING THEIR FEDERAL TAX- EXEMPT STATUS.**

### **WHY CAN'T A GIFT CARD/GIFT CERTIFICATE BE USED AS AN ITEM IN A RAFFLE?**

Again, the IRS issued an opinion that gift cards, prepaid cards, gift certificates, and gift coupons which have a face value on them, are considered cash equivalents.

**PTA's should not give cash away, therefore, raffling a gift card would equate to raffling cash. Check your local jurisdiction for regulation for permits on raffles.**



# Planning the Budget

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Budget Development

Budget Process

Budget Approval

Amending the Budget

# PLANNING THE BUDGET

A budget is 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 shows what your PTA intends to do.

## **Budget Development**

The Free State PTA recommends that the budget be developed during the planning period for new officers. New officers are usually elected in late spring, so this will generally occur during the summer and be approved by the membership at the first General Meeting of the school year.

A **Finance or Budget Committee** has the responsibility for developing a budget for the PTA. The committee may be elected or appointed according to the local unit bylaws. The committee should consist of an uneven number of members to prevent tie votes on any issue that may be debatable. This committee is chaired by the Treasurer and includes several other PTA leaders and members who have knowledge of what has occurred in the past and what future plans are appropriate for the PTA.

## **Budget Types**

There are two types of budgets that can be developed.

### **LINE ITEM BUDGET**

In a Line Item Budget, the General Membership must approve every line.

### **CATEGORICAL BUDGET**

In a Categorical Budget, the individual line items are grouped into logical categories and only the Categories are approved by the General Membership.

**The Categorical Budget is preferred for local unit PTA/PTSAs.**

## **Budget Process**

There are **three (3)** basic steps in developing the PTA's annual plan- The Budget.

- Decide the PTA's goals and objectives (a list of programs, projects, and activities for the coming year).
- Decide the necessary funds needed to pay for the accomplishment of the goals and objectives.
- Reconcile, or balance, steps 1 and 2.

### **Step 1 - Goals and Objectives**

The PTA should first decide on its goals and objectives for the upcoming year. Make a list of the programs, projects, and activities the PTA would like to undertake and why. Write a description of each with specific reasons for that activity, along with a timeline for the activity.

Consult **Appropriate Use of PTA Funds** in the Fundraising section to ensure that goals and objectives fall within IRS, State, Free State PTA and National PTA guidelines. Study the previous year's budget and Treasurer's reports to see what worked and what did not in the past.

In the sample copy of a proposed budget, the budget values and the actual values for the previous year are shown. The list of goals and objectives should include Leadership Education for the PTA's leaders. It should provide for ongoing, continuing administrative expenses.

After the goals and objectives are listed, estimated expenses or costs necessary to achieve those goals and objectives should be established. Annual Treasurer's Reports can provide excellent information. The historical information in the Treasurer's records can be used to determine costs and quantities of items from prior years and then used as a basis for estimating costs for the coming year. Inflation and changes to past years' programs should be considered when making the cost estimates.

## **Step 2 - Revenue**

After deciding on the PTA's goals and objectives, very careful consideration must be given to developing sources of revenue adequate to pay the estimated expenses and costs associated with the goals and objectives.

**Some examples are:**

- Membership Dues
- Donations
- Fundraising
- Grants & Awards
- Company Matches
- Corporate Sponsorships
- Investments

Often, some of the programs or projects outlined as goals or objectives will generate revenue. The section on **Fundraising** should be reviewed with respect to selecting proper revenue sources. A listing of all revenue generators should be made, along with the expectation of the amount of revenue that each will generate.

## **Step 3 - Reconciliation**

Make comparisons between the expenses/costs of carrying out the goals/objectives and the expected revenue. If there is a difference between the two, realistic adjustments **MUST** be made to either or both areas. You may have to increase revenues or decrease expenditures. When the two areas equal each other (**Start up + Revenue = Expenditures + Carryover**), the committee's proposed budget has been developed. Be sure to include a line item for carryover funds.

**Carryover Funds** -These funds are the amount which is set aside to begin operations at the beginning of the next PTA fiscal year, prior to the onset of fundraising activities. **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 and returning board members, startup expenses for the new school year, etc. Funds not spent in one budget year should be included in the new budget.

**A vote can be taken at the last General Membership meeting of the year to release a certain amount of start-up funds for the next year. This is the only way funds can be spent prior to the first general meeting and budget approval.**

## **Budget Approval**

**ADOPTION OF THE PTA BUDGET REQUIRES APPROVAL OF THE GENERAL MEMBERSHIP.**

After the budget has been developed, the Board of Directors must review it. Following the Board's review and approval, the Categorical Budget **MUST** be presented to the PTA Membership at the first General Membership meeting of the year for approval and adoption. A majority vote of members who are present and voting (providing a quorum exists) is required for adoption. The General Membership should approve only the Category Totals.

**\*\*FUNDS CANNOT BE SPENT UNTIL THE BUDGET IS APPROVED unless a vote taken at the last General Membership meeting of the year released a certain amount of start-up funds. \*\***

## **Amending the Budget**

The budget is the PTA/PTSA unit's annual plan. The budget is not a brick wall. It is an estimate of the planned expenses and income. The budget should be reviewed often. It may be necessary, from time to time, to amend the budget. The Board of Directors may amend line items within a category without changing the category total. The Board of Directors alone cannot approve an amendment that would change the Category Total in the Budget.

**The General Membership, which approved the original Budget, MUST also Approve any amendment to the Categorical Budget.** To amend an adopted budget, it is necessary to vote on the proposed amendment at a General Membership Meeting of the association.

- If prior notice has been given, a majority vote is required. If prior notice has not been given, a 2/3 vote is required.

# Reporting

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Proposed Budget Report

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Treasurer's Reports

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Annual Financial Report

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## Reporting

Reporting is one of the most important duties of the Treasurer. PTA Treasurers are responsible for submitting monthly and annual reports to the board and membership. The Treasurer and the Board are also responsible for the reporting to the federal government/IRS and State of Maryland.

A Treasurer is to report monthly on the transactions and the financial stability of the PTA. **Reports must be clear, accurate, up-to-date and easy to understand.** Promptly recording all transactions in the PTA books/software will make reporting simple. All reports are designed to aid you in the completion of the required financial forms and monthly reporting to the Board and General Membership.

## Proposed Budget Reports

### LINE ITEM BUDGET FOR THE BOARD OF DIRECTORS

This is the budget that is prepared by the local unit's Budget Committee (three or more individuals including the president and the treasurer.) The budget is broken down line by line to show detailed budgeted income and detailed budgeted expenses for each category of the proposed budget. A printed copy of the Proposed Budget must be presented to Board of Directors for approval.

### CATEGORICAL BUDGET FOR GENERAL MEMBERSHIP

After the Board has approved the line item proposed budget the categories are collapsed again. This one is visually different from the Budget for the Board as it has no individual line items. The categorical budget is then presented to the General Membership for approval. The Treasurer should make enough copies for each attendee at the General Membership meeting where the budget is then voted on by the General Membership.

This is the preferred budget for GENERAL MEMBERSHIP approval. This type of budget is easier for a PTA to amend. Amendments will not need to be made unless the entire category needs to be amended as opposed to every line item.

## Treasurer's Reports

### BOARD OF DIRECTORS (LINE ITEM)

The Treasurer completes this report monthly, or for each meeting, and then submits it to the Board of Directors/Executive Committee. This report shows how the funds received and spent to-date compare with corresponding line items in the **APPROVED BUDGET.**

**For each report, the Treasurer enters:**

- **Money received in each Receipt/Income category**
- **Money spent in each Expense line.**
- **A variance tells a story between what the PTA intended to do versus what occurred.**

o A variance tells the members how much the PTA has left or has gone over the budget.

Be prepared to answer all questions promptly and have all records available at the meeting. The monthly Treasurer's report must then be attached to the minutes of the meeting at which it is presented and retained in the PTA's records.

**Changes in any line items in the budget, which do not affect a Category Total, whether in income or expenditures, **MUST** be approved as amendments to the budget by the Board of Directors and recorded in the minutes.**

**Changes in the budget, which affect a Category Total, whether in income or expenditures, **MUST** be presented as amendments to the budget, approved by the General Membership and recorded in the minutes. These reports should be given to the Financial Review Committee at the end of the fiscal year.**

## **GENERAL MEMBERSHIP (CATEGORICAL)**

This report is presented at every General Membership meeting. This is the approved Categorical Budget with the actual income and expenses shown for each month with the variance. The same procedures apply to this report as the report for the Board of Directors. A copy should be made available to all members, but **MUST** be presented to every member who requests it.

**For each report the Treasurer enters:**

- **Money received in each Receipt/Income category**
- **Money spent in each Expense line.**
- **A variance tells a story between what the PTA intended to do versus what occurred.**
- **A variance tells the members how much the PTA has left or has gone over the budget.**

**CHANGES IN THE BUDGET, WHETHER IN INCOME OR EXPENDITURES, MUST BE PRESENTED AS AMENDMENTS TO THE BUDGET, APPROVED BY THE GENERAL MEMBERSHIP AND RECORDED IN THE MINUTES. THESE REPORTS SHOULD BE GIVEN TO THE FINANCIAL REVIEW COMMITTEE AT THE END OF THE FISCAL YEAR.**

## **Annual Financial Report**

- At the end of the PTA's fiscal year (**June 30**), the Treasurer closes the financial records and prepares an annual financial report. **This report includes:** A comparison of the budget versus the actual income and expenses for the entire fiscal year.

A preliminary annual financial report is given to the membership at the annual meeting. **This report is for information only and is not officially adopted until the Annual Financial Review has been completed and is officially adopted by the membership.**

The Treasurer's Annual Financial Report and the Financial Review Report are filed with the permanent financial records after your PTA has approved the Financial Review.

**A COPY OF THESE REPORTS ARE DUE TO FREE STATE PTA BY OCTOBER 31<sup>ST</sup> ANNUALLY**

**Sample Reports**  
are on the following pages

## PROPOSED BUDGET FOR BOARD OF DIRECTORS - LINE ITEM

PTA/PTSA NAME: \_\_\_\_\_

Fiscal Year: **2022-2023**

	<u>Budgeted</u>	<u>Actual</u>	<u>Proposed</u>
<b>Balance from Previous year:</b>	<b>610.89</b>	<b>610.89</b>	<b>4,628.47</b>
<b><u>RECEIPTS:</u></b>			
1. <b>Membership Dues</b>	2,500.00	2,600.00	3,000.00
2. <b>Donations</b>	5,000.00	5,000.00	5,000.00
3. <b>Program Service Generated Revenue</b>	<u>720.00</u>	<u>823.50</u>	<u>870.00</u>
4. <b>Fundraising</b>			
a. Special Events	30,000.00	29,892.50	30,000.00
b. Candy Sale	6,000.00	7,250.00	7,500.00
c. Bookfair	4,000.00	4,500.00	5,000.00
d. Yearbook	<u>2,000.00</u>	<u>1,975.00</u>	<u>2,000.00</u>
<b>TOTAL RECEIPTS</b>	<b>50,830.89</b>	<b>52,651.89</b>	<b>57,998.47</b>
<b><u>DISBURSEMENTS:</u></b>			
<b>Organizational Expenses:</b>			
10. State & National Dues	812.50	845.00	975.00
11. Training	250.00	260.00	300.00
12. PTA Publications	150.00	21.75	50.00
13. Delegate Expenses	2,000.00	1,950.00	2,000.00
14. Insurance	<u>200.00</u>	<u>179.00</u>	<u>200.00</u>
<b>Total Organizational Expenses</b>	<b>3,412.50</b>	<b>2,255.75</b>	<b>3,525.00</b>
<b>Operating Expenses:</b>			
20. Supplies/Postage	250.00	200.00	250.00
21. Committees	1,000.00	978.25	1,000.00
22. Newsletter	500.00	500.00	500.00
23. Bank Charges/Fees	<u>50.00</u>	<u>80.00</u>	<u>80.00</u>
<b>Total Operating Expenses</b>	<b>1,800.00</b>	<b>1,758.25</b>	<b>1,830.00</b>
<b>PTA Program Service</b>			
30. Parent Programs	2,000.00	2,000.00	2,000.00
31. Life Membership & Awards	2,500.00	2,427.30	2,500.00
32. Scholarships	2,000.00	1,400.00	1,500.00
33. Cultural Arts	5,000.00	4,850.00	5,000.00
34. Classroom Teachers	3,000.00	3,000.00	3,000.00
35. Student Activities	6,720.00	6,773.50	6,870.00
36. Summer Contingency	0.00	0.00	3,000.00
37. Appreciation	<u>0.00</u>	<u>0.00</u>	<u>2,000.00</u>
<b>Total PTA Program Services</b>	<b>21,200.00</b>	<b>20,450.80</b>	<b>25,890.00</b>
<b>Fundraising Expenses:</b>			
40. Special Events	15,000.00	14,946.25	16,000.00
41. Candy Sale	2,400.00	3,387.37	3,400.00
42. Bookfair	2,000.00	2,500.00	2,500.00
43. Yearbook	<u>2,000.00</u>	<u>1,975.00</u>	<u>2,000.00</u>
<b>Total Fundraising Expenses</b>	<b>21,400.00</b>	<b>22,558.62</b>	<b>23,900.00</b>
<b>Carryover</b>	<b>2,998.39</b>	<b>4,628.47</b>	<b>2,873.47</b>
<b>TOTAL DISBURSEMENTS</b>	<b>50,830.89</b>	<b>52,651.89</b>	<b>57,998.47</b>

Adopted by Association:(date) \_\_\_\_\_

**CATEGORICAL PROPOSED BUDGET FOR GENERAL MEMBERSHIP APPROVAL FY 2022-2023**

PTA/PTSA \_\_\_\_\_ Date: \_\_\_\_\_

	<b>Budgeted Prior Year</b>	<b>Actual Prior Year</b>	<b>Proposed Current Year</b>
<b>Balance from Previous year:</b>	610.89	610.89	4,628.47
<b><u>RECEIPTS:</u></b>			
1. Membership Dues	2,500.00	2,600.00	3,000.00
2. Donations	5,000.00	5,000.00	5,000.00
3. Program Service Generated Revenue	<u>720.00</u>	<u>823.50</u>	<u>870.00</u>
4. Fundraising	42,000.00	43,617.50	44,500.00
<b>TOTAL RECEIPTS</b>	<b>50,830.89</b>	<b>52,651.89</b>	<b>57,998.47</b>
 <b><u>DISBURSEMENTS:</u></b>			
10. Organizational Expenses:	3,412.50	2,255.75	3,525.00
20. Operating Expenses:	1,800.00	1,758.25	1,830.00
30. PTA Program Services:	21,200.00	20450.80	25,890.00
40. Fundraising Expenses:	21,400.00	22,558.62	23,900.00
<b>Carryover for Startup</b>	<b><u>2,998.39</u></b>	<b><u>4,628.47</u></b>	<b><u>2,873.47</u></b>
<b>TOTAL DISBURSEMENTS</b>	<b>50,830.89</b>	<b>52,651.89</b>	<b>57,998.47</b>

**Adopted by Association: (date)** \_\_\_\_\_

## TREASURER'S REPORT FOR BOARD OF DIRECTORS/EXECUTIVE COMMITTEE MEETING

**PTA/PTSA NAME:**

**Date Prepared:** \_\_\_\_\_

**General Account:**

Balance, October 7, 20__	\$958.19
Receipts:	625.81
Disbursements:	445.35
<b>Balance, November 4, 20__</b>	<b>\$1,138.65</b>

<u>RECEIPTS:</u>	<u>REPORTING PERIOD</u>	<u>TOTAL TO DATE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Balance on hand		\$610.89	\$610.89	0.00
1. <b>Membership Dues</b>	\$ 525.00	1,123.50	2,500.00	(1,376.50)
2. <b>Donations</b>			5,000.00	(5,000.00)
3. <b>Program Service Generated Revenue</b>	5.71	5.71	720.00	(714.29)
4. <b>Fundraising</b>				
a. Special Event	95.10	95.10	30,000.00	(29,904.90)
b. Candy Sale			6,000.00	(6,000.00)
c. Bookfair			4,000.00	(4,000.00)
d. Yearbook			<u>2,000.00</u>	<u>(2,000.00)</u>
<b>Total</b>	<b>\$625.81</b>	<b>\$1,835.20</b>	<b>\$50,830.89</b>	

**DISBURSEMENTS/EXPENSES:**

**Organizational Expenses:**

10. State & National Dues	428.00	428.00	812.50	(384.50)
11. Training		34.20	250.00	(215.80)
12. PTA Publication			150.00	150.00
13. Delegate Expenses		36.00	2,000.00	(1964.00)
14. Insurance	<u>0.00</u>	<u>125.00</u>	<u>200.00</u>	<u>(75.00)</u>
<b>Total</b>	<b>428.00</b>	<b>623.20</b>	<b>3,412.50</b>	

**Operating Expenses:**

20. Supplies/Postage		38.00	250.00	(212.00)
21. Newsletter	17.35	35.35	1,000.00	(964.65)
22. PayPal Fees			500.00	(500.00)
23. Bank Charges/Fees			<u>80.00</u>	<u>(80.00)</u>
<b>Total</b>	<b>17.35</b>	<b>73.35</b>	<b>1,800.00</b>	

**PTA Program Services:**

30. Parent Programs			2,000.00	(2000.00)
31. Life Membership/Awards			2,500.00	(2500.00)
32. Scholarships			2,000.00	(2000.00)
33. Cultural Arts			5,000.00	(5000.00)
34. Classroom Teachers			3,000.00	(3000.00)
35. Student Activities			<u>6,720.00</u>	<u>(6720.00)</u>
<b>Total</b>			<b>21,220.00</b>	

**Fundraising Expenses:**

40. Special Event	Bazaar		15,000.00	(15000.00)
41. Candy Sale			2,400.00	(2400.00)
42. Bookfair			2,000.00	(2000.00)
43. Yearbook			<u>2,000.00</u>	<u>(2000.00)</u>

**Total** **21,400.00**

**Carryover for Startup** **2,998.39**

**Total Disbursements** **\$445.35** **\$716.55** **\$50,830.89**



## ANNUAL FINANCIAL REPORT (TREASURER'S FINAL REPORT FOR FY)

PTA/PTSA NAME:

Fiscal Year: **2022-2023**

	Budgeted	Actual
Balance from Previous year:	610.89	610.89
<b>RECEIPTS:</b>		
1. Membership Dues	2,500.00	2,600.00
2. Donations (Individual & Corporate)	5,000.00	5,000.00
3. Program Service Generated Revenue	720.00	823.50
4. Fundraising		
a. Special Events	30,000.00	29,892.50
b. Candy Sale	6,000.00	7,250.00
c. Bookfair	4,000.00	4,500.00
d. Yearbook	<u>2,000.00</u>	<u>1,975.00</u>
<b>TOTAL RECEIPTS</b>	<b>50,830.89</b>	<b>52,651.89</b>
<b>DISBURSEMENTS/EXPENSES:</b>		
<b>Organizational Expenses:</b>		
10. State & National Dues	812.50	845.00
11. Training	250.00	260.00
12. PTA Publications	150.00	21.75
13. Delegate Expenses	2,000.00	1,950.00
14. Insurance	<u>200.00</u>	<u>179.00</u>
<b>Total Organizational Expenses</b>	<b>3,412.50</b>	<b>3,255.75</b>
<b>Operating Expenses:</b>		
20. Supplies/Postage	250.00	200.00
21. Newsletter	1,000.00	978.25
22. PayPal Fees	500.00	500.00
23. Bank Charges/Fees	<u>50.00</u>	<u>80.00</u>
<b>Total Operating Expenses</b>	<b>1,800.00</b>	<b>1,758.25</b>
<b>PTA Program Services:</b>		
30. Parent Programs	2,000.00	2,000.00
31. Life Membership& Awards	2,500.00	2,427.30
32. Scholarships	2,000.00	1,400.00
33. Cultural Arts	5,000.00	4,850.00
34. Classroom Teachers	3,000.00	3,000.00
35. Student Activities	<u>6,720.00</u>	<u>6,773.50</u>
<b>Total PTA Objectives</b>	<b>21,220.00</b>	<b>20,450.80</b>
<b>Fund Raising Expenses</b>		
40. Special Events	15,000.00	14,946.25
41. Candy Sale	2,400.00	3,387.37
42. Bookfair	2,000.00	2,250.00
43. Yearbook	<u>2,000.00</u>	<u>1,975.00</u>
<b>Total Fundraising Expenses</b>	<b>21,400.00</b>	<b>22,558.62</b>
<b>Carryover</b>	<b>2,998.39</b>	<b>4,628.47</b>
<b>TOTAL DISBURSEMENTS</b>	<b>50,830.89</b>	<b>52,651.89</b>

# Fundraising

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Fundraising and the PTA

Fundraising Guidelines and the PTA Insurance

Gaming and the PTA/PTSA

Free State PTA Alcohol Sale and Use

Proper Use of PTA Funds

Cautionary Use of PTA Funds

Grant Process for Equipment & Form

Hold Harmless Process and Form

Developing Contracts

3-1 Rule for Fundraising

## Fundraising and the PTA

**Use of the PTA name or logo to endorse a product or service, or the use of children to sell products is **NOT** allowed under ANY circumstances.**

Most PTA units find a need to raise funds in addition to the local unit dues to finance leadership activities for officers and other members or enhance enrichment opportunities for students. The Fundraising Committee is never expected to just "raise money" to give to the Principal, the school, or any other group or cause that seems to need funds. **PTA FUNDS ARE RAISED IN CONCERT WITH A PLANNED AND APPROVED BUDGET AND ARE USED ONLY FOR THE PTA PURPOSES DETAILED IN THAT BUDGET.**

## Fundraising Guidelines and PTA Insurance

**BEFORE CONSIDERING ANY FUNDRAISING ACTIVITY, YOU MUST ALWAYS REFER TO YOUR INSURANCE POLICY OR CHECK WITH YOUR AGENT.** Please see online resources at <https://aim-companies.com>

Quick Reference Guides <https://aim-companies.com/quick-reference-guides/>

**THE FREE STATE PTA INSURANCE AND LOSS PREVENTION GUIDE** has been developed to assist PTA leaders in selecting appropriate fundraising activities, sponsored programs and events. Using this publication will help prepare for the risks associated with these activities. See link below to download the guide.

<https://aim-companies.com/wp-content/uploads/2021/09/AIM-Insurance-Guide-9-2021-1.pdf> **THE POLICY IS DESIGNED TO COVER ALLOWABLE PTA EVENTS.**

- ✓ As detailed in the [Playlist of Covered & Excluded Events](#), it is critical that the stop, play and pause activities be reviewed before planning any PTA activities.
- ✓ Certain activities and events are **PROHIBITED** because they are excluded by the insurance policy and/or because they are dangerous and/or jeopardize the safety of our children and youth.
- **IF THE PTA SPONSORS A STOP EVENT AND SOMEONE IS INJURED BECAUSE OF PTA NEGLIGENCE, THE INDIVIDUAL PTA OFFICERS COULD PERSONALLY BE HELD LIABLE.**

Activities on the Play and Pause list require the PTA to obtain a signed **PTA PARTICIPANT WAIVER** from each student's parent or guardian or Volunteer. Please see each section for addition conditions. Waivers can be found at this link. <https://aim-companies.com/sample-forms/>

### **VENDOR INSURANCE REQUIREMENTS:**

A vendor is person or company who provides a service or sells goods such as:

1. Bus Company
2. Book Fair, Fundraising Company, Instructors
3. Inflatable Company, Assembly Act
4. DJ, Caterer, Food Purveyor, etc...

### **The vendor must provide the following three items:**

- ✓ Certificate of Insurance naming your PTA unit as the certificate holder and additional insured.
- ✓ See sample documents at the link below. WORDING highlighted in yellow which must be used.
- ✓ Additional Insured Endorsement CG 20 26 07 04 (can be a blanket form) See sample at the link above.
- ✓ Hold Harmless Agreement - Completed and signed by the vendor.
- ✓ See the all the instructions on what is required at:  
<https://aim-companies.com/wp-content/uploads/2021/09/AIM-Insurance-Guide-9-2021-1.pdf>

## Fundraising Guidelines and PTA Insurance Continued...

Fundraising projects should be for a definite, pre-determined, and budgeted purpose that furthers the Purposes of the PTA.

- It must be non-commercial, nonsectarian, and nonpartisan.
- It must **NEVER** exploit children. Children should **NEVER** be used as door-to-door salespersons.
- Class time should **NEVER** be used for fundraising.

**GAMBLING, OR ANY FORM OF ENTERTAINMENT THAT MAY BE DETRIMENTAL TO CHARACTER BUILDING OR THAT MAY PLACE THE PTA AT RISK FOR LIABILITY OR EMBARRASSMENT SHOULD NOT BE UNDERTAKEN.**

**IN ADDITION, THE FUNDS RAISED FROM THESE ACTIVITIES MAY BE SUBJECT TO TAXATION AND, IN EXTREME CIRCUMSTANCES, MAY CAUSE THE PTA INVOLVED TO LOSE ITS TAX-EXEMPT STATUS.**

**LOCAL, COUNTY AND STATE LAWS REGULATE THESE ACTIVITIES. PTAs MUST CONTACT THEIR COUNTY GOVERNMENT FOR INFORMATION.**

- PTAs that sponsor fundraising events where alcoholic beverages are consumed may place the PTA at risk for liability. **(See Free State PTA letter on alcohol)**
- **A PTA MUST consider local, state and federal laws and/or taxes and obtain all permits and/or licenses whenever necessary or required by local ordinances. See Insurance Guide and State of Maryland regulations for Bingo. PERMITS ARE REQUIRED.**
- Safety should be a prime consideration.

Anytime a PTA raises money to buy something that should be provided by public tax money, it double-taxes the contributors and relieves the burden on the Board of Education and the elected officials. Good legislative activity by a PTA - writing letters or making telephone calls to public officials; attending public meetings where parental/citizen input is invited or allowed; addressing the local Board of Education, your County Council, or your State Delegates, etc. - can get your school more money in one year than ten years of fundraising.

In addition, once you get an allocation into your school's budget, it stays there - permanently - funded by your tax dollars. Buy it with the PTA's money; and once it breaks you must raise more money to buy another. **(See Cautionary Use of PTA Funds) To learn more about Free State PTA Advocacy go to [www.fspta.org](http://www.fspta.org)**

## Gaming and the PTA/PTSA

Gaming such as Bingo has become one of the most common and successful types of fundraising engaged in by PTA/PTSA tax-exempt organizations. **PTAs that conduct gaming, whether for one night or throughout the year, whether in their primary place of operation or at a different location, are subject to federal tax law requirements and must be aware of the requirements for income, employment, and excise taxes.**

### **BINGO**

Bingo is defined by the Internal Revenue Code and Regulations as **"a game of chance played with cards that are generally printed with five rows of five squares each. Participants place markers over randomly called numbers on the cards in an attempt to form a pre-selected pattern such as a horizontal, vertical, or diagonal line, or all four corners. The first participant to form the pre-selected pattern wins the game."**

**THE IRS LEAVES SPECIFIC REGULATIONS ON WHO, WHEN AND HOW BINGO CAN BE CONDUCTED TO THE STATES AND THEIR COUNTIES. IN THE STATE OF MARYLAND, EACH COUNTY HAS REGULATIONS ON BINGO AND OTHER GAMING EVENTS. PLEASE VISIT OR CALL YOUR LOCAL COUNTY GOVERNMENT LICENSING/PERMIT DEPARTMENT TO FIND OUT WHAT PAPERWORK IS REQUIRED. IF THE PTA IS NOT PROPERLY LICENSED TO CONDUCT BINGO, CRIMINAL PENALTIES HAVE, AND CAN BE CHARGED AGAINST YOUR PTA.**

## **RAFFLES AND OTHER GAMES OF CHANCE**

Raffles are gaining popularity for nonprofit fundraising. Often combined with Bingo or another event, raffles are accessible and fun. In a tight economy, attendees might hesitate to bid on a big auction item, but almost everyone can afford a raffle ticket.

**A raffle is where the PTA/PTSA sells tickets, separately from tickets for admission to an event, and one of the tickets is drawn from all tickets to win a prize.** Raffle tickets are tickets sold separately from event tickets. If everyone attending an event is eligible to win a prize drawing, then it's a door prize, not a raffle.

While PTAs like an easy raffle, many nonprofits do not realize the registration and reporting that raffles require.

**In some Maryland counties, raffles require an entirely separate permit in addition to a Bingo license.**

**THE IRS HAS INCREASED ITS SCRUTINY OF GAMING ACTIVITIES AND HAS PARTNERED WITH MANY STATES TO COMPARE STATE GAMING REGISTRATIONS TO PROPER IRS REPORTING.**

If your PTA decides to run a raffle or Bingo, learn about the requirements that may apply to the PTA and make sure you're running it correctly. For more information on federal regulations visit [IRS Nonprofit Gaming](#), scroll down to Gaming Activities. For more information on state regulations visit [Maryland Statutes for Bingo](#)

This document could not list all the acceptable fundraising ideas that PTA could engage in. If in doubt about the acceptability of a fundraising project, please contact the Free State PTA office. One well-planned annual fund-raising project will usually raise the funds needed to finance the year's activities.

## **Free State PTA Alcohol Sale and Use**

In accordance with the Free State PTA insurance program, PTAs may not engage in the sale of alcoholic beverages.

Many PTAs hold silent auctions and dinners as fundraisers in which bottles and/or cases of wine are donated for use as auction items. These donated bottles and/or cases of wine may be used as auction items provided the auction is held at a non-school site location and the contents are not opened during the event or on the premises.

**PTAs may auction donated beverages but not sell alcoholic beverages under any circumstance.**

**Serving of Alcohol at PTA Events** -- Free State PTA strongly urges its constituent organizations to refrain from serving alcoholic beverages at PTA functions. If alcoholic beverages are served at a PTA function, the PTA may not serve them.

Any alcoholic beverages must be provided and served by a licensed establishment or catering company that has the appropriate permits and insurance. When a PTA is planning an event that will include alcoholic beverages, the PTA may not collect for the cost of the alcoholic beverages through ticket sales. This cost must be paid separately to the licensed establishment or catering company with the valid permits and insurance.

Under no circumstances may PTA funds be used to purchase alcoholic beverages or bottles of alcohol.

**Remember, the purpose of PTA is to work on behalf of all children and speak for "every child, one voice."**

## **Proper Use of PTA Funds**

Proper use of money raised by the PTA is always a major issue. The following list was reviewed and approved by the National PTA and the National PTA's attorneys for use in Maryland.

### **PTA FUNDS SHOULD BE SPENT FOR:** (In alphabetical order; not prioritized)

**AWARDS** - Purchase and presentation of certificates, frames, trophies, plaques, etc., for outstanding service by students, teachers, parents, volunteers, administrators, and members of the community; especially awarding of National PTA Life Achievement Award and Free State PTA Life Achievement Award.

**COMMUNICATIONS/PUBLICITY** - Flyers, announcement boards, letters, etc., about PTA and School individuals, activities, awards, etc.

**CLASSROOM/SCHOOL ENRICHMENT PROGRAMS** - special equipment or special field trips, special cultural arts presentations for activities beyond curricular demands. **(See Grant/Hold Harmless section for more info)**

### **PTAS MUST ENSURE THAT THE EQUIPMENT OR PROGRAM CAN BE PROVEN TO RELATE TO THE CURRICULUM.**

PTAs may fund new and/or experimental programs during the first year, while evaluating the success of the program. Responsibility for continual funding of successful programs should then be transferred to the local Board of Education.

**COMMITTEE EXPENSES** - expenses needed for standing, special and Ad Hoc committees to perform their duties.

**CULTURAL ARTS** - Sponsorship of Cultural Arts programs, in particular, the National PTA Reflections program.

**FAMILY ENGAGEMENT**- fun nights, reading nights, movie nights, magic shows, etc. that are held to bring about family involvement and participation.

**FIELD TRIPS** - PTAs may fund or subsidize extracurricular field trips for students. **HOWEVER**, PTAs should be aware of two areas of responsibility that they bear:

- **The IRS requires that the PTA be able to demonstrate how the field trip is directly related to curriculum.**
- **The PTA may be liable for any injury or damages that occur during the field trip. THE PTA MUST CHECK WITH AIM INSURANCE BEFORE ANY FIELD TRIPS ARE CONSIDERED.**

**FUNDRAISER COSTS**- The up-front costs of conducting an acceptable fundraiser.

**GUEST SPEAKERS** - Funding/fees for guest speakers at PTA meetings.

**HOSPITALITY** - Refreshments provided for meetings, conferences, public hearings, PTA social activities, etc., including purchase/rental of coffee pots, soft drink coolers, paper ware, etc.

**LEADERSHIP TRAINING** - PTA Workshops, Conferences and Conventions on the county, State and National levels. (Registration, transportation, meals, parking fees, etc.)

**LEGISLATIVE ACTIVITY** - Local, State, and National PTA-related legislative activity. Attendance at meetings, hearings and conferences dealing with education budgets, legislation relating to the health and/or welfare of children and youth, legislation related to changes in the federal, state, or local education system, etc. (fees, transportation costs, parking fees, and sustenance) development, production, reproduction, distribution, and mailing costs of flyers, letters and other announcements. You must keep records of all legislative activities. They are needed when filing the 990-EZ.

**MEMBERSHIP SUPPLIES** - envelopes, stamps, stamp pads, flyers, posters, etc.

**MEMORIALS** - planting of trees, shrubs, or perennial flower beds, or memorial donations to the Maryland and National PTA scholarship funds in memoriam of students, teachers, administrators, and PTA leaders who pass away. Check with your school system.

**ORGANIZATIONAL EXPENSES**- Accounting software, bank fees, membership website, etc.

**PARENT WORKSHOPS/SEMINARS** - funding of workshops and seminars for parents with regard to education, health, substance abuse, CPR, parenting and other community issues.

**POSTAGE & STATIONERY** - letterhead, envelopes, stamps, mailing boxes, etc.

**PROMOTIONAL ITEMS** - items given away that promote the school and/or PTA. Pennants, bumper stickers, pencils, pens, banners, key chains etc.

**PTA DUES** - National, State and Council dues.

**PTA NEWSLETTERS** - development, production, reproduction, distribution, mailing costs and website costs.

**PTA PUBLICATIONS** - all officers and the Principal should receive subscriptions to "Our Children"; the "Free State PTA E-Newsletter" and the PTA Council newsletter.

**PTA/SCHOOL RELATED CELEBRATIONS** - Back to School Night, American Education Week, Founder's Day, Teacher Appreciation Week, etc. (Decorations, refreshments, banners, etc.).

**REPRODUCTION COSTS** - for PTA-related newsletters, flyers, programs, announcements, etc.

**SCHOLARSHIPS** - monetary scholarships for graduating students who have ties to the respective school.

**Per IRS regulations, the PTA bears the responsibility of ensuring that the funds presented to the respective graduates are, in fact, used to further education and/or training.**

**SPECIAL EVENTS** – Dances, Movie Nights, Ice Cream Socials, Teacher Appreciation.

**VOLUNTEER APPRECIATION** - celebrations, refreshments, certificates, plaques, etc. to reward ALL your hard-working volunteers.

## **Cautionary Use of PTA funds**

**THE PTA IS NOT A FILLER FOR THE SCHOOL BUDGET. ALL THE ITEMS BELOW SHOULD BE SUPPLIED BY THE SCHOOL DISTRICTS.**

**BASIC SCHOOL SUPPLIES** – textbooks, workbooks, library books, pencils, crayons, poster board, art supplies, chalk, tape, glue, notebooks, etc.

**CAPITAL IMPROVEMENTS** - purchase/repairs of windows, doors, rugs, draperies, standard lighting, cooking appliances, stage equipment, gym equipment, furniture, shelving, etc.

**CONTRIBUTIONS TO OTHER ASSOCIATIONS** - PTAs may not make monetary contributions to non charitable organizations, no matter how worthy the cause.

**FUNDING OF SCHOOL PERSONNEL** - providing wages and/or benefits for additional teachers, instructional assistants, administrators, staff, therapists, nurses, counselors, custodians, etc. PTAs may reimburse the local school district for the cost of custodial services whenever the PTA is conducting an activity in a school building on weekends or holidays.

**JANITORIAL SUPPLIES** - brooms, mops, pails, detergent, soap, paper towels, toilet paper, floor wax, buffers, etc.

**PLAYGROUND EQUIPMENT** - swings, slides, climbing bars, see-saws, protective surfaces, fences, sandboxes, etc. (PTAs should be aware that if they purchase and/or pay for the installation of any playground equipment, they may be liable for ANY injury sustained by ANYONE using the equipment at ANY time; and such liability would **NOT** generally be covered by the PTA's liability insurance. **(MUST See AIM Insurance Guide)**

**PRESENTATION EQUIPMENT** - film projectors, overhead projectors, slide projectors, video camera, video projectors, televisions, radios, record/tape/CD players, etc.; and/or the maintenance of the equipment.

**PRINCIPAL'S DISCRETIONARY FUND** - block grants that are given to principals to use for educational expenses.

**SCHOOL OFFICE EQUIPMENT** - copiers, copy paper, fax machines, shredders, telephones, public address systems, desks, chairs, equipment maintenance contracts and/or repair of any such equipment.

**TEACHER DEVELOPMENT** - continuing education/college fees for teachers, instructional assistants, therapists, nurses, and/or administrators.

**TECHNOLOGY** - computers, monitors, printers, scanners, modems, and the associated infrastructure.

**IF THE SCHOOL BUDGET IS NOT BEING MET, THIS IS WHEN THE PTA NEEDS TO USE ITS POWER OF ADVOCACY. A PTA PROVIDES A GREATER SERVICE BY SECURING PUBLIC SUPPORT AND FUNDS FOR EDUCATION NEEDS THAN BY PROVIDING THE ITEMS ON THEIR OWN OR MAKING GIFTS TO THEIR SCHOOL.**

## DONATION OF EQUIPMENT

Donations or contributions of materials and/or equipment to a school district become the property of the school district and the district is free to use the equipment in any manner it considers appropriate.

## Grant Process for Equipment and Form

It is recommended that a local PTA unit use the "grant" process if a PTA wants to purchase equipment for a school. After assurance that the school wants the equipment, the grant agreement must be signed between the PTA and the school principal. The agreement should specify:

- ▶ The amount of the grant.
- ▶ The "sole and express" purpose of the grant.
- ▶ A date by which the school must spend the grant funds.
- ▶ Unused grant funds must be returned to the PTA.
- ▶ The PTA should then provide the money and allow the school to make the purchase.

**It is imperative that this process be followed so that the PTA is always protected. See the grant form below**

## PTA GRANT AGREEMENT

\_\_\_\_\_ PTA hereby gives to the \_\_\_\_\_ School

a monetary grant in the amount of \_\_\_\_\_ Dollars (\$) by check number \_\_\_\_\_

This grant is for the sole and express purpose of \_\_\_\_\_

It is agreed, that the grant funds will be spent for the stated purpose on or before: \_\_\_\_\_

or the funds will be refunded to the PTA. \_\_\_\_\_

(Date)

**Any unused or unexpended funds will be refunded to the PTA. The School will give a complete accounting (receipt or invoice) of the expenditure of the grant funds to the PTA.**

The School agrees to maintain the above-described property at: \_\_\_\_\_  
(Name & Address of School)

for a period of not less than \_\_\_\_\_ years from the date of purchase. \_\_\_\_\_

Signature of PTA President \_\_\_\_\_ Date: \_\_\_\_\_

Signature of PTA Treasurer \_\_\_\_\_ Date: \_\_\_\_\_

Signature of Principal \_\_\_\_\_ Date: \_\_\_\_\_

**\*\*The general membership must support any expenditure through a budget adoption/amendment and a specific vote at a general meeting. This agreement is void if not ratified by the general membership. \*\***

A copy of this form goes to the school, a copy is attached to the disbursement form and a copy is held in the permanent records.



## Developing Contracts

In the ordinary course of business, PTAs may enter into a variety of contracts. When the PTA enters into a contractual arrangement, the unit assumes the responsibility to conform to and abide by the terms and conditions of the contract. Keep in mind the "85%" rule. For the income from the fundraising activity to be federally tax-exempt, 85% of the work **MUST** be done by volunteers. Here is a basic checklist for contracts and agreements:

**GET IT IN WRITING AND READ EVERY WORD. If you do not understand it, ask a neutral party who does.**

- ▶ Do not agree to anything verbally.
- ▶ Do not sign anything unless you fully understand the terms.
- ▶ Understand the nature of the relationship.
  - Who is going to do what for whom?
- ▶ Financial consideration
  - How much will this cost?
  - When are payments due?
  - Is time a factor?
- ▶ Duties and obligations of both parties.
  - Who is going to deliver and where?
- ▶ The contract should be in the name of the PTA: not the school, not the principal.
- ▶ The president signs the contract.
  - **The length of the contract must be limited to the term of the participating Board of Directors/Executive Committee members so as not to project an undesired obligation onto future boards.**
- ▶ Conditions and Stipulations
  - Does anything have to happen before the contract goes into effect?
  - If use of a facility is involved, does it meet standards such as handicapped accessibility, air standards, fire safety, exclusive limitations, etc.?
  - How do I cancel, and what does it cost?
- ▶ Terms of contract
  - How much time do the parties have to perform: how long will the arrangement go on?
  - Are you required to purchase any minimum?
- ▶ Documents related to the contract.
  - Are there any related documents that should be integrated or expressly superseded? Bylaws?
  - Able to subcontract?
  - Can they decide someone else will perform the task without telling you?
- ▶ Laws that apply.
  - What state's law will be used to interpret this contract?
  - Do sales taxes or charitable solicitation taxes apply?
- ▶ Enforcement.
  - What happens if they don't perform?
  - What happens if we don't perform? Is there a binding arbitration agreement?
- ▶ Date of contract.
  - When does it begin and end?
- ▶ Legality.
  - You cannot contract for an illegal activity or break a civil law.

## Other Legal Implications

In addition to tax and regulatory concerns, there are **three** main types of legal implications to fund raising activities.

- **Product liability concerns** are always present when the PTA is involved in selling a product. The concerns vary with the type of products sold.

For example, the sale of gift wrap or magazines is less likely to result in personal injury than the sale of frozen pizza or fresh fruit, which if not handled properly, could result in claims of food poisoning.

- **Personal injury claims.** For example, a volunteer who is injured while engaging in a fundraising activity may try to hold the PTA responsible.
- **Contract issues.** Like any legal document, these contracts will be binding on the PTA and result in legal liability if not fulfilled.

## 3-1 Rule for Fundraising

Nonprofit organizations risk losing their tax-exempt status if fundraising activities become the primary focus and make the tax-exempt mission secondary. **PTAs are not booster or fundraising groups. Fundraising is needed, but it should never be the main focus.**

National PTA recommends adherence to the **3 - 1 Rule**:

- 1. For every fundraiser, you must have three non-fundraising activities.**
- 2. These activities would more than likely be your Program Services (PTA Objectives).**
- 3. Adhering to this rule protects the PTA from Unrelated Business Income (UBI)**

**A fundraiser would be any event whose primary purpose is to raise money to fund the activities of the organization.**

### **REMEMBER:**

**THE PURPOSE OF PTA IS TO WORK ON BEHALF OF ALL CHILDREN AND SPEAK FOR "EVERY CHILD. ONE VOICE."**

# Annual Financial Review

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The PTA Financial Review

Conducting a Financial Review

Forms

## The PTA Financial Review

### The Purpose of a Financial Review

**To Certify** the accuracy of the books and records.

**To Assure** the membership that assets are being managed in a businesslike manner.

**To Verify** that the Executive Board has fulfilled its Fiduciary Responsibility.

**To Satisfy** federal, state and bylaw requirements to protect the PTA's 501(c)(3) status.

A Financial Review or Audit 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. Its purpose is to assure both the membership and the Board of Directors that the funds of the PTA have been properly administered and that good financial practices have been followed.

**PTA Bylaws #Article IV Relationship with National PTA and Free State PTA require that all PTA/PTSAs submit a copy of the financial review to the Free State PTA within 120 days (Oct. 31) of the close of the fiscal year.**

The books and records must be reviewed annually at the end of the fiscal year (**June 30th**) or at any time there is a change in the position of treasurer or any other officer with financial signature authority. Refer to the article on "Duties of Officers" in your local PTA unit bylaws, Article VII.

### The Difference Between a Financial Review and an Audit

There is a difference between an Audit and a Financial Review. The PTA/PTSA only needs to conduct one (1) of these options.

**According to National PTA, an Audit is an extensive external process performed by a hired certified public accounting firm (CPA) for a fee.**

**A Financial Review is an internal process performed by the three (3) members of the Financial Review Committee.**

### An Audit Is Conducted by Professional

An Audit requires the retaining (hiring by paying a fee) a professional firm with nonprofit accounting experience. Most local PTA/PTSA units will not need to hire a professional. State laws require 501(c)(3) organizations to hire a professional firm to complete the audit when gross income exceeds a certain amount. Check with Free State PTA. If applicable, you will hire a firm to:

- **Compile Financial Statements**

The CPA receives financial information from the PTA, 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 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

## **An Internal Committee Conducts the Financial Review.**

**A Financial Review Committee (Bylaws Article VII, Section 4, I. & Article VIII, Section 4, e.) should consist of not less than three PTA members selected by the Board of Directors.** It should be noted that this is a committee of PTA members. PTA is a member association, and the books and records belong to the membership. Non-members do not have a right to examine these records.

**THIS COMMITTEE MUST NOT INCLUDE ANYONE WITH SIGNATURE AUTHORITY OVER THE PTA'S BANK ACCOUNT OR ANYONE RELATED TO OR LIVING IN THE SAME HOUSEHOLD AS A PERSON WITH SIGNATURE AUTHORITY.**

Incoming officers that were not on the PTA bank account during the year being reviewed can be part of the committee.

## **Steps for Conducting a PTA Financial Review**

At the end of the fiscal year (**after June 30<sup>th</sup>**), it is important to conduct a financial review of the Treasurer's records. The Financial Review is laid out in the steps below.

### **Step 1: Recruit an Internal Committee**

**Your financial review committee must **NOT** consist of anyone with, related to or living in the same household as someone with check signing authority.**

**The committee must meet the following criteria:**

- ▶ The committee consists of at least three people selected by the Board of Directors.
- ▶ The committee consists of dues paying PTA members only.
- ▶ Incoming officers that were not on the PTA bank account during the year being reviewed are eligible to be a part of the committee.

### **Step 2: Provide the Committee with Treasurer's records including:**

- ▶ A copy of the last Annual Financial Review Report
- ▶ Checkbook and canceled checks - if available
- ▶ Bank statements and deposit receipts
- ▶ Treasurer's book or ledger or access to the accounting software
- ▶ The Annual Financial Report (final Treasurer's report Budget vs Actuals)
- ▶ Itemized statements and receipts of bills paid
- ▶ Disbursement/Reimbursement Forms
- ▶ Copies of all Board, Executive Committee, and General Membership meeting minutes
- ▶ Current bylaws and standing rules
- ▶ Any other information requested by the financial review committee

### **Step 3: Explore the records starting after the last Financial Review through the fiscal year**

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. Contact Free State PTA if there are many errors or concerns about accuracy.

Some items to look for:

- ▶ Monthly bank reconciliation - signed appropriately
- ▶ Unexplained reconciling items
- ▶ Unusual endorsements on checks

- ▶ A match of check endorsements to payees (person receiving check also signed the check)
- ▶ Disbursements not supported by invoices or other documentation
- ▶ Blank checks secured in a safe place (no signing of blank checks or checks missing from checkbook)
- ▶ 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

### **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 sending them monthly to the Free State PTA.

### **Step 6. Check the Treasurer's reports and Final Annual Report for accuracy**

#### **Step 7. If the Financial Review Committee finds irregularities follow the steps listed below:**

- Contact the treasurer to secure additional records or information.
- If the matter cannot be settled to the committee's satisfaction, contact the president to determine what additional steps need to be taken.
- The president can request additional guidance from the Council PTA or the Field Service Representative. A Council PTA can request additional assistance from the Field Service Representative if the Council PTA cannot resolve the matter.
- When evidence that theft, fraud, or embezzlement has occurred, the PTA must follow the Free State PTA Theft, Fraud, and Embezzlement Policy found at [www.fstpa.org](http://www.fstpa.org).

### **Step 8. Prepare Financial Review results**

The Financial Review Committee **must** submit a report documenting their efforts and sharing results. 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.

- May provide recommendations
- All committee members sign

When there are not adequate records available to conduct a proper accounting of the association's funds,

**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 and Membership**

**The Financial Review must be officially adopted by the General Membership of the PTA at the first general meeting of the year.** If the report states that more information and verification is needed, the Treasurer should provide the requested information.

**The Annual Financial Review Report along with the Annual Financial Report (Treasurer's final report with Budget vs Actual) must be sent to Free State PTA by October 31st.**

### **Step 10. Contact Free State PTA**

At any time during the process, contact Free State PTA for information or assistance.

If the validity of the Financial Review is questioned, Free State PTA will provide you with the next steps to be taken.

## **PTA/PTSA ANNUAL FINANCIAL REVIEW FORM**

### **What is the Purpose of a Financial Review?**

- ▶ To **Certify** the accuracy of the books and records;
- ▶ To **Assure** the membership that assets are being managed in a businesslike manner;
- ▶ To **Verify** that the Executive Board has fulfilled its Fiduciary Responsibility;
- ▶ To **Satisfy** federal, state and bylaw requirements to protect the PTA's 501(c)(3) status.

### **There are several steps that must be taken to conduct an accurate and successful Financial Review.**

1. The Board of Directors must select a Financial Committee Review of at least **three PTA** members prior to the end of the fiscal year, if possible, according to the Local Unit Bylaws.
2. The PTA/SA Treasurer must organize and give all financial records listed below to the Financial Review Committee at the end of the fiscal year, after June 30<sup>th</sup>.
3. The completed Financial Review is presented and adopted by the General Membership at the first general meeting.
4. To remain in **Good Standing**, PTAs must email, fax, mail, or upload into MemberHub a completed, signed, and dated copy of the **Annual Financial Review and the Annual Financial** (Treasurer's Final report) **Report** to Free State PTA. This must be accomplished before **October 31\* annually**.

**Date of Financial Review:** \_\_\_\_\_ **8 Digit Local PTA Unit ID:** \_\_\_\_\_

**FULL PTA/PTSA Name:** \_\_\_\_\_ **County:** \_\_\_\_\_

**Contact Person:** \_\_\_\_\_ **PTA Position:** \_\_\_\_\_

**Address:** \_\_\_\_\_ **City:** \_\_\_\_\_ **Zip:** \_\_\_\_\_

**Phone:** \_\_\_\_\_ **Email:** \_\_\_\_\_

### **Financial Review Committee: Please complete Sections 1 and 2.**

**Review Period: July 1, 20    to June 30, 20**

#### **Section 1. Financial Review Committee:**

Please check the boxes of the financial records provided to you from the Treasurer:

- Copy of last Annual Financial Review report from previous fiscal year;
- All Bank Statements and Reconciliations (including PayPal, Square, etc.);
- Check Copies or Canceled Checks or Check Images on Bank Statements;
- All Cash Verification Forms with Deposit Slips Attached;
- All Disbursement Forms with Original Receipts/Invoices Attached;
- Treasurer's Ledger Book (Excel Spreadsheet, QuickBooks, etc.);
- Copies of any Financial Reviews conducted for any reason during the year;
- Annual Financial Report and the Treasurer's reports from ALL PTA/PTSA meetings including the final General Membership meeting;
- Copy of Final Approved budget and all amendments (approved by the general membership) Amendments **MUST** be included in the minutes;
- Copies of Minutes of all Board, Executive and General Membership meetings;
- Bylaws - Current copy of approved local unit bylaws;
- Copy of IRS Form 990, 990-EZ or 990-N (e-Postcard) filed the previous fiscal year.

**Section 2: Answer the questions below as you go through the review.**

Use the space provided to document items that need to be included in the final review report.

1.	Does the amount shown on the first bank statement (adjusted for outstanding checks and deposits) correspond to the starting balance recorded in the checkbook register, ledger, treasurer's report and ending balance from previous financial review?	
<input type="checkbox"/>	<b>YES</b>	<b>NOTES:</b>
<input type="checkbox"/>	<b>NO</b>	
2.	Were bank statements reconciled monthly by the treasurer and signed by the President and one other person not authorized to sign checks or related to a check signer?	
<input type="checkbox"/>	<b>YES</b>	<b>NOTES:</b>
<input type="checkbox"/>	<b>NO</b>	
3.	Did all checks written have two signatures (President, Treasurer or other Bank signatory)?	
<input type="checkbox"/>	<b>YES</b>	<b>NOTES:</b>
<input type="checkbox"/>	<b>NO</b>	
4.	Were all checks properly recorded in checkbook register, ledger and on treasurer reports?	
<input type="checkbox"/>	<b>YES</b>	<b>NOTES:</b>
<input type="checkbox"/>	<b>NO</b>	
5.	Were all bank charges and interest recorded in checkbook register, ledger and treasurer reports?	
<input type="checkbox"/>	<b>YES</b>	<b>NOTES:</b>
<input type="checkbox"/>	<b>NO</b>	
6.	Was the AIM Insurance premium paid by July 1 <sup>st</sup> ?	
<input type="checkbox"/>	<b>YES</b>	<b>NOTES:</b>
<input type="checkbox"/>	<b>NO</b>	
7.	Did the PTA use Disbursement/Reimbursement Forms?	
<input type="checkbox"/>	<b>YES</b>	<b>NOTES:</b>
<input type="checkbox"/>	<b>NO</b>	
8.	Did the PTA use Cash Verification Forms?	
<input type="checkbox"/>	<b>YES</b>	<b>NOTES:</b>
<input type="checkbox"/>	<b>NO</b>	
9.	Were all Disbursement/Reimbursement forms approved by the president or designee and have original receipts attached?	
<input type="checkbox"/>	<b>YES</b>	<b>NOTES:</b>
<input type="checkbox"/>	<b>NO</b>	
10.	Were all funds received documented correctly on the Cash Verification form?	
<input type="checkbox"/>	<b>YES</b>	<b>NOTES:</b>
<input type="checkbox"/>	<b>NO</b>	
11.	Were the funds received counted and signed by two different people and verified by the treasurer?	
<input type="checkbox"/>	<b>YES</b>	<b>NOTES:</b>
<input type="checkbox"/>	<b>NO</b>	
12.	Were bank deposit slips attached to the corresponding Cash Verification form?	
<input type="checkbox"/>	<b>YES</b>	<b>NOTES:</b>
<input type="checkbox"/>	<b>NO</b>	
13.	Did the funds received match deposits recorded in the checkbook register ledger and treasurer reports?	
<input type="checkbox"/>	<b>YES</b>	<b>NOTES:</b>
<input type="checkbox"/>	<b>NO</b>	
14.	Was income spent according to the approved/amended budget?	
<input type="checkbox"/>	<b>YES</b>	<b>NOTES:</b>
<input type="checkbox"/>	<b>NO</b>	

15. Did the general membership meeting minutes include budget approval? <input type="checkbox"/> <b>YES</b> <b>NOTES:</b> <input type="checkbox"/> <b>NO</b>
16. Did the general membership or Board meeting minutes include a motion and vote for approval of all budget amendments? <input type="checkbox"/> <b>YES</b> <b>NOTES:</b> <input type="checkbox"/> <b>NO</b>
17. # of memberships sold _____ #of membership dues paid to the state _____ <b>Do they match?</b> <input type="checkbox"/> <b>YES</b> <b>NOTES:</b> <input type="checkbox"/> <b>NO</b>

On the Receipts/Income form below, write total deposits for each month from the ledger in the corresponding section. Then total the amount of deposits. This should equal **line 2** on the Financial Review Sheet. **This page is not required if a Transaction Detail was provided.**

On the Disbursements page, write each check and amount in the columns and then total. This amount should equal **line 4** on the Financial Review Sheet. **This page is not required if a Transaction Detail was provided.**

## Receipts/Income (Deposits Made)

### Financial Review Documentation Form

PTA Name \_\_\_\_\_ Fiscal Year \_\_\_\_\_ ~ \_\_\_\_\_

Month	Deposits				
July					
August					
September					
October					
November					
December					
January					
February					
March					
April					
May					
June					
<b>TOTAL DEPOSITS</b>					



## PTA/PTSA ANNUAL FINANCIAL REVIEW FORM

PTA/PTSA Name: \_\_\_\_\_

Fiscal Year Covered by Financial Review: July 1, 20\_\_\_\_ to June 30<sup>th</sup> 20\_\_\_\_

Check numbers covered by this Financial Review: Beginning check# \_\_\_\_\_ Ending check# \_\_\_\_\_

**1. BALANCE ON HAND** (at time of last Financial Review on June 30<sup>th</sup> of previous year) \$ \_\_\_\_\_

**2. RECEIPTS/INCOME** received since last Financial Review \$ \_\_\_\_\_

**3. TOTAL CASH** (add Line 1 and Line 2 together for Total Cash) \$ \_\_\_\_\_

**4. EXPENSES/DISBURSEMENTS** since the last Financial Review \$ \_\_\_\_\_

**5. BALANCE ON HAND** as of date of Financial Review (subtract Line 4 from Line 3) \$ \_\_\_\_\_

**6. ENDING BANK STATEMENT BALANCE** as of June 30, 20\_\_\_\_ \$ \_\_\_\_\_

**7. OUTSTANDING CHECKS** (write total amount of outstanding checks) \$ \_\_\_\_\_

Date of Check	Check #	Amount of Transaction	Date of Check	Check #	Amount of Transaction

**8. Balance in Checking Account** (Subtract Line 7 from Line 6) \$ \_\_\_\_\_

**\*\*\* Line 5 and Line 8 must be the same to balance the PTA books to the bank account. \*\*\***

**If receipts reported on line 2 is \$50,000 or greater, and your average gross receipts for the past 3 years are \$50,000 or more, YOU MUST COMPLETE THIS SECTION below to calculate the Gross Income and Total Expenses to be used on your IRS Form 990-EZ or 990 (long form).**

**9.** Total Members Paid for this Fiscal Year \_\_\_\_\_ x \$4.25 = (payments made to Free State PTA) \$ \_\_\_\_\_

**10.** Subtract line 9 from line 2 to calculate **Gross Receipts to be used for IRS reporting on Form 990** \$ \_\_\_\_\_  
(If this number is less than \$50,000, you are able to file the 990-N)

**11.** Subtract line 9 from line 4 to calculate **Total Expenses to be used for IRS reporting on Form 990** \$ \_\_\_\_\_

**PLEASE CHECK ONE:**

- We have reviewed the books and find them to be correct.
- We have reviewed the books and found the following problems and or/make these suggestions.
- We have reviewed the books and found significant problems that must be reported to Free State PTA immediately for assistance.

**COMMENTS REQUIRED:** If the financial committee finds missing funds, inadequate records, or if standard best practices and accounting procedures are not used, this information must be detailed on attached findings and recommendations.

**We have attached our findings/recommendations to this form.**

**A copy of the signed and dated Financial Review Report along with the accompanying Annual Financial Report must be supplied to Free State PTA by October 31<sup>st</sup> annually. Once a 990 is filed with the IRS, on or before November 15, you must forward an "Accepted" copy of the 990-N or a complete signed and dated copy of the 990-EZ or 990 to Free State PTA. Include copies of all 990-EZ and 990 Schedules.**

\_\_\_\_\_  
**Reviewer Signature/Date**

\_\_\_\_\_  
**Reviewer Signature/Date**

\_\_\_\_\_  
**Reviewer Signature/Date**

\_\_\_\_\_  
Printed Name of Reviewer

\_\_\_\_\_  
Printed Name of Reviewer

\_\_\_\_\_  
Printed Name of Reviewer

\_\_\_\_\_  
Current President's Signature

\_\_\_\_\_  
Current Treasurer's Signature

\_\_\_\_\_  
Date

# Taxes & Forms

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## Taxes & Other Governmental Issues

Sales & Use Tax

FAQs about Sales by PTAs

Blanket Certificate of Resale

Charitable Solicitation Act

Annual Report/Annual Personal Property

Federal Tax Return of Organization Exempt from Income Tax

990 Forms

Unrelated Business Income (UBI)

Other IRS Forms

Excess Benefit Transaction

Flea Markets

Admission Tax

## Taxes and Other Governmental Issues

PTAs in Maryland are exempt from paying **FEDERAL INCOME TAX** on most income.

**PTAs in Maryland ARE NOT EXEMPT from paying Maryland State Sales Tax unless they apply for their own Sales and Use Tax Exemption Certificate (SUTEC).**

### Sales and Use Tax

Per the law enacted July 1, 2013, PTAs no longer must collect and remit sales tax to the State of Maryland on taxable sales. **This is on items the PTA sells.** PTAs must continue to keep their Sales and Use Tax License Number to be able to issue the Blanket Certificate of Resale to vendors and **must continue to report \$0 in taxable sales.** Sales of taxable merchandise paid directly to the vendor will incur sales tax, but the PTA will not be responsible for remitting it.

PTAs **MUST** still **REPORT** sales tax even if they do not have to pay sales tax. If you have no taxable sales to report and owe no tax, you will file using the Maryland Comptroller's **tele file service at 410-260-7225.** PTAs call this number and **report \$0.** This line is available 24 hours a day, seven days a week.

If a due date falls on a Saturday or Sunday or holiday, the report is due on the next business day. **If you do not file on time, you will receive a delinquent notice.** Sales tax reporting runs on a calendar year. PTAs can report after December 31<sup>st</sup>. **The Due Date is January 20<sup>th</sup>.**

For more information on Sales & Use Tax for PTAs visit: [Sales & Use Tax FAQs](#)

### Sales & Use Tax Exemption Certificate

PTAs can now apply for a **Sales and Use Tax Exemption Certificate**, which will enable them to avoid paying Maryland State Sales and Use Tax on purchased items that are used to carry out the work of the PTA. It is a wallet- sized card, bearing the holder's eight-digit exemption number. Certificates are issued to qualifying nonprofit organizations. Certificates expire in 2027.

**An exemption certificate should not be confused with a resale certificate.** Resale certificates are used primarily by manufacturers, wholesalers and retailers to purchase the items they sell, free of tax. **An organization may use its exemption certificate to purchase tangible personal property that will be used in carrying on its work. This includes:**

- office supplies and equipment
- supplies used in fundraising activities, **but does not include:** items used to conduct an "unrelated trade or business," as defined by Section 513 of the United States Internal Revenue Code.

**An exemption certificate is not transferable and applies only to purchases made by the organization listed on the certificate.** The purchase may be made with cash, personal check, or personal credit card on behalf of the organization. **It may not be used by officials, members, or employees to purchase items for their personal use or to purchase items that will be donated to the organization.**

### How to Apply for an Exemption Certificate

To apply for an exemption certificate, complete the [Maryland SUTEC Application](#) form. The application may also be obtained by calling Taxpayer Service at 410-260-7980, or toll-free 1-800-638-2937 from elsewhere in Maryland, Monday - Friday, 8:30 a.m. - 4:30 p.m. EDT

**There is no provision for applying for the exemption certificate online.** You must complete the hard copy version of the application to apply for the certificate.

**Nonprofit organizations must include copies of:**

- IRS Determination Letter along with a group exemption letter from Free State PTA
- Articles of Incorporation
- Bylaws

You must have all documents and the PTA must be in **GOOD STANDING** with the state of Maryland to apply. If you do not have these documents or are not sure of your standing, please contact Free State PTA.

**Mail the completed application and required documents to:**

**Legal Section - SUTEC Comptroller of Maryland Revenue Administration Division, 110 Carroll Street, Annapolis, MD 21411**

## **Frequently Asked Questions About Sales by PTAs**

### **Are purchases for resale by PTAs subject to tax?**

No. PTAs within an elementary or secondary school in the State or within a school system in the State, issued a Sales and Use Tax Exemption Certificate by the Comptroller's Office may supply a vendor with a resale certificate that bears the exemption number issued to the organization instead of a sales and use tax registration number.

PTAs not issued an exemption certificate should supply a vendor with a resale certificate bearing the organization's sales and use tax registration number.

### **What is the difference between a Sales and Use Exemption Certificate and a Blanket Resale Certificate?**

PTAs presenting exemption certificates are exempt from the sales and use tax on purchases of materials and supplies to carry out their work. A resale certificate allows a person to make tax-free purchases for resale, not for use.

### **Is a sale subject to tax if a PTA acts as a collection agent for a third- party vendor?**

Yes. A sale by a PTA does not include a sale where the PTA accepts payment on behalf of a third-party vendor.

Book Fair sales and fundraisers by third parties that take place on and off school property are subject to sales and use tax even if the PTA is involved in the operation of the event.

### **Are sales by third party vendors subject to Maryland's sales and use tax when a school system, PTA, or other organization benefits from such sales?**

Yes, unless such sales are otherwise exempt by statute, the exemption from the collection of the sales and use tax only applies to sales by parent-teacher organizations or other organizations within an elementary school or secondary school in the State or within a school system in the State.

### **If sales made by a parent-teacher organization or other organizations are not subject to tax, should the organization close its sales and use tax account?**

PTAs issued a Sales and Use Tax Exemption Certificate by the Comptroller's Office may close their sales and use tax accounts. Accounts may be closed by calling the Comptroller's Office Taxpayer Service Center at 410-260-7980.

Any PTA that does not possess a Sales and Use Tax Exemption Certificate should not close its sales and use tax account. It is necessary to retain the sales and use tax account in order to provide vendors with a valid resale certificate when purchasing items for resale.

### **Are sales made (items sold by PTA) by a PTA subject to the sales and use tax?**

No. Sales made by PTAs are not subject to the tax. Sales made by PTAs do not include sales made for which the PTA acts as a collection agent for a third party or benefits from the sales, i.e., Joe Corbi's or Book Fairs.

**STATE OF MARYLAND COMPTROLLER OF THE TREASURY RETAIL SALES TAX DIVISION**

**BLANKET CERTIFICATE OF RESALE (Form)**

**Date** \_\_\_\_\_

This is to certify that all material, merchandise, or goods purchased by the undersigned from the

**(Name and Address of Vendor)**

after \_\_\_\_\_ is purchased for the following purpose:  
**(Date)**

( ) Resale as tangible personal property

( ) To be incorporated as a material or part of other tangible personal property to be produced for sale by manufacturing, assembling, processing or refining.

This certificate shall be considered a part of each order which we shall give provided such order bears our Maryland Sales Tax Registration Number.

**PTA Name:** \_\_\_\_\_

**Address** \_\_\_\_\_

**Signature**

**Title** \_\_\_\_\_

\_\_\_\_\_  
**PTA's Maryland Sales Tax Registration Number**

## **Charitable Solicitation Act**

**The Charitable Solicitation law ensures that those who ask the general public for charitable contributions are legitimate organizations and that their donations will be used for the stated purposes of the organization.**

Under this act, charitable organizations that ask for charitable contributions in Maryland must register with the Office of the Secretary of State. This includes all PTA/PTSAs. [Maryland Charitable Registration](#)

**A charitable organization that raises \$25,000 or more in charitable contributions **MUST**:**

- Complete the full registration and submit financial information by using either the **Secretary of State form COF-85** [COF-85 Form](#) (\$25,000 to \$50,000) or IRS form 990-EZ (\$50,000 to \$200,000) or IRS form 990 (greater than \$200,000).
- The Charitable registration is required to be renewed annually. [Annual Update of Registration Form](#)

**A Charitable organization receives less than \$25,000 in charitable contributions the Exempt Organization Fund-Raising Notice **MUST** be filed.** [Exempt Fundraising Notice Form](#)

**A COPY OF ALL FORMS MUST BE SENT TO THE FREE STATE PTA OFFICE AS PART OF THE STANDARDS OF AFFILIATION.**

## **INCORPORATION**

**FREE STATE PTA BYLAWS REQUIRE THAT FREE STATE PTAS BE INCORPORATED.**

The status of incorporation has advantages and disadvantages. **The most significant feature of a corporation is its ability to shield itself from liability. It should be noted that it would NOT prevent a liable action.**

Corporate status requires that an Annual Report/Personal Property Return is filed each year with the State Department of Assessments and Taxation, but no fees are due. The return is due on **April 15**.

Since PTAs would be a Domestic Non-Stock Corporation, the ID# Prefix will be D. The Federal Principal Business Code is 813000.

Councils or local units needing to incorporate may obtain the "**Articles of Incorporation**" package from the Free State PTA. When completed, send a check made payable to the "Maryland State Department of Assessments and Taxation" for \$170.00, to the Free State PTA Address.

Free State PTA will then submit the application to the Maryland State Department of Assessments and Taxation for you. The Maryland State Department of Assessments and Taxation will send, directly to your PTA, a copy of your Articles of Incorporation.

## **Annual Report/Personal Property Return**

All PTAs incorporated in the state of Maryland must file an Annual Report/Personal Property Return annually by **April 15**. Filing this return serves to give an Annual Report of Corporate Officers and Directors and related information and to report any business personal property owned or leased as of January 1 of the year in which the return is filed.

The filing date of **April 15** is a fixed date and is not related to the fiscal year of the organization. The Annual Report/Personal Property Return is filed online at <https://egov.maryland.gov/businessexpress>.

The Department has streamlined the annual business filing process in Maryland by updating the paperwork all entities must file with the state. Filings can now be made online through **Maryland Business Express**.

SDAT strongly recommends that all business owners sign up for timely email reminders to file these important documents and to receive general news updates. **PTAs should create an account to receive updates.**

All business entities formed, qualified, or registered to do business in Maryland **MUST** file an Annual Report and, if they answer "Yes" to either of the following questions, **MUST ALSO** file a Personal Property Tax Return.

**As you answer the prompts in filing the Annual Report electronically, MBE will automatically identify whether a Personal Property Tax Return is required.**

- ▶ Does the business own, lease, or use personal property located in Maryland?

► Does the business maintain a trader's license with a local unit of government in Maryland?

**IF YOU DO NOT FILE THE REQUIRED DOCUMENTS BY THE ANNUAL DEADLINE ON APRIL 15, YOUR BUSINESS WILL FALL OUT OF GOOD STANDING STATUS AND WILL BE FORFEITED AFTER THE SECOND YEAR OF NON-FILING. IF A BUSINESS IS FORFEITED, IT NO LONGER HAS THE AUTHORITY TO CONDUCT BUSINESS IN MARYLAND AND HAS NO RIGHT TO ITS NAME.**

The simplest and easiest method to file both the Annual Report and Personal Property Tax Return is through Maryland Business Express (MBE). There are penalties assessed for late filing and the corporate status may be forfeited for failure to file the return. **If your PTA's Incorporation Charter has been forfeited, contact the Free State PTA at [finance@fspta.org](mailto:finance@fspta.org) for a Revival of Charter packet. The fee is \$100.00.**

**Prior year Annual Reports can be filed online at <https://egov.maryland.gov/businessexpress>.**

**Other important requirements for submitting previous year filings:**

- Oldest filings must be completed first
- Filings must be completed in order (oldest to most recent)
- Once completed, multiple filings can be submitted with one payment
- Your current year filing may be submitted even if you have incomplete previous year filings

### **References and Links:**

[Maryland Charitable Registration](#)

<https://egov.maryland.gov/businessexpress>.

<https://sos.maryland.gov/Documents/COR-92.pdf> (Initial Registration Only)

[COF-85 Form](#)

[Annual Update of Registration Form](#) [Exempt Fundraising Notice Form](#)

## **Federal Tax Return of Organizations Exempt From Income Tax**

Be sure to use the PTA address on file with the IRS and state of Maryland (usually the school address) and not that of an individual.

On Form 990-EZ, the information needed for

- Block F (group exemption number) is 2155.  
**Please note:** The group exemption number is only applicable to constituent units that have requested and received group exemption through Delaware PTA;
- Block H must be checked if schedule B is not required.
- Block J is 501(c)(3).
- Block K is "Corporation".
- On Schedule A, Part I (Reason for Public Charity Status) number 9 is the applicable box. All PTAs are required to file Schedule A
- Schedule C if the answer to question 47 is "yes" on the 990-EZ and
- Schedule G if line 6a and 6b is over \$15,000.
- Call the Free State PTA to verify or obtain your 9-digit federal employer identification number.

**With the enactment of the Pension Protection Act of 2006 (PPA) the IRS will revoke the tax-exempt status of any organization that fails to meet the annual filing requirements for three consecutive years.**

**Organizations that do not file the e-Postcard (Form 990-N), or an information return Form 990, or 990-EZ for three consecutive years, will have their tax-exempt status revoked as of the filing due date of the third year and their charter removed.**

A penalty may be charged when the return is late unless the association can show that the late filing was due to reasonable cause. The penalty may also be charged if the association files an incomplete return or gives incorrect information.

For Forms 990 or 990-EZ filed for years beginning after 1986, the penalty imposed on the organization for failure to file its return is now \$20 per day with a maximum fine of \$10,000, or 5% of the gross receipts of the organization for the

year. If the association does not file a complete return or does not give correct information, the responsible person(s) failing to comply will be charged a penalty of \$10 a day, not to exceed \$5,000. If gross receipts are normally under \$50,000 and the PTA has received a Form 990 or 990-EZ from IRS, check box K in the area above Part I, attach the label (be sure it is the school address - if not, correct it), sign the form and return it.

**Any PTA that files a form 990 or 990-EZ for a tax year beginning after December 31, 1986, must make its complete return with all attachments available for public inspection upon request within the three-year period beginning with the due date of the return. This is to be made available at the association's main office.**

Any person who does not comply with the public inspection requirement may be assessed a penalty of \$20 for each day the inspection was not permitted up to a maximum of \$10,000 with respect to one return. The association need not disclose the names of its contributors.

## 990 Forms

The Internal Revenue Service (IRS) has many important requirements that it places on private, nonprofit, tax-exempt organizations--including PTAs. Forms and instructions can be found at the links below.

### General Requirements:

▶ **Section 501(c)(3) of the Internal Revenue Code**

▶ **State four-digit group exemption number - 2155**

**Please note:** The group exemption number is only applicable to constituent units that have requested and received group exemption through Delaware PTA;

▶ **Filing Requirement - All PTAs must file and send a copy to the Free State PTA office at [finance@fspta.org](mailto:finance@fspta.org).**

▶ **Filing Deadline** - Due 15th day of 5th month (**November 15th**) after end of fiscal year for Forms 990, 990-EZ, 990-N, 990-T, and appropriate Schedules. Send by Certified Mail.

▶ **PENALTIES** - \$20.00 per day up to \$10,000.00

### **FORM 990-N**

[Form 990N ePostcard](#)

▶ **GROSS RECEIPTS** - less than \$50,000

▶ **MOST PTA'S WILL FILE THE 990-N.** <https://sa.www4.irs.gov/epostcard/>

### **FORM 990-EZ - Return of Organization Exempt from Income Tax (Short Form)**

[Form 990 EZ & Instructions](#)

▶ **GROSS RECEIPTS** - \$50,000.00 or more but less than \$200,000.00

▶ **ASSETS** - less than 1.25 million

▶ **FILING EXTENSIONS** - 2 three-month extensions (Form 8868). Consideration should be taken prior to filing an extension as most PTAs should be able to file on time.

▶ **CONTENT OF FORM:**

- Income Statement/Balance Sheet
- Statement of Program Service Accomplishments & List of Officers and Directors

### **FORM 990 - Return of Organization Exempt from Income Tax**

[Form 990 & Instructions](#)

▶ **GROSS RECEIPTS**-\$200,000.00 or more

▶ **ASSETS**-- 1.25 million or more

▶ **FILING EXTENSIONS** - 2 three-month extensions (Form 8868). Consideration should be taken prior to filing an extension as most PTAs should be able to file on time.

▶ **CONTENT OF FORM:**

- Income Statement/Balance Sheet
- Program Service Accomplishments
- List of Officers
- Reconciliation to Audited Financial Statements
- Other Information
- Analysis of Income

## **SCHEDULE A - ORGANIZATION EXEMPT UNDER 501(c)(3) REQUIRED ATTACHMENT TO FORM 990 AND 990-EZ**

- Required of all 990-EZ filers
- Part I - Demonstrates public charity (box 9)
- Part III -Support Schedule

## **SCHEDULE B – SCHEDULE OF CONTRIBUTORS** MAY BE A REQUIRED ATTACHMENT TO FORM 990 and 990-EZ.

Based on single contributions, gifts, grants, and membership dues of \$5,000 or more and/or based on the percentage of your contributions in relation to your gross revenue.

## **SCHEDULE C – POLITICAL CAMPAIGN AND LOBBYING ACTIVITIES** MAY BE A REQUIRED ATTACHMENT TO FORM 990 AND FORM 990-EZ

### **LOBBYING** – Insubstantial amounts

Must be completed if the PTA answered “yes” to Form 990, Part IV, line 4 or answered “yes” to Form 990-EZ, Part VI, line 47.

## **SCHEDULE G – SUPPLEMENTAL INFORMATION REGARDING FUNDRAISING OR GAMING ACTIVITIES**

MAY BE A REQUIRED ATTACHMENT TO FORM 990 AND FORM 990-EZ.

Must be completed if the PTA answered “yes” to Form 990, Part IV, line 17, 18 or 19 or entered more than \$15,000 on Form 990-EZ, line 6a and 6b.

## **SCHEDULE O – SUPPLEMENTAL INFORMATION FOR FORM 990 OR FORM 990EZ**

MAY BE A REQUIRED ATTACHMENT TO FORM 990 AND FORM 990-EZ.

Must be completed if the PTA had “Other” expenses, revenues, changes in net assets, assets, or Program Services.

## **FORM 990T - Exempt Organization Business Income Tax Return**

### **UNRELATED BUSINESS INCOME** [Form 990T UBI](#)

- ▶ Trade or Business
- ▶ Regularly Carried on
- ▶ Unrelated to Exempt Purpose

**FILING EXTENSION** - Automatic 6-month extension (Form 7004)

**HOW MUCH IS TOO MUCH** - National PTA recommends no more than 15% of the gross receipts be from Unrelated Business Income. **Remember the 3-1 Rule.**

## **Unrelated Business Income (UBI)**

Free State PTAs are exempt from federal income tax under Section 501 (c)(3) of the internal revenue code (see the “Purposes” article of the local PTA unit bylaws). **Tax exempt status means that the PTA does not pay federal income tax on income from activities related to the purpose for which the PTA was given its exempt status.**

It is important to remember that not all business income is subject to taxation: only “unrelated business income” as defined in the Internal Revenue Code. To figure out whether an organization has “unrelated business income”, **three factors** must be present. **The income must be:**

- (1) from a business**
- (2) regularly carried on, and that it is**
- (3) unrelated to the organization’s exempt purposes.**

**(1) From a business** - To be considered a business, the nonprofit must take an active role in the generation of the income from an activity. The activity must provide income but does not have to produce a profit.

**(2) Regularly carried on** - IRS regulations state that activities which are carried on only “periodically” will not be considered regularly carried on. An activity occurring only once per year may be considered UBI if a commercial company performing the same activity would also be active only once a year (i.e., sale of Christmas trees).

**(3) Unrelated to the organization’s tax-exempt purpose** - If an activity is not substantially related to the PTA’s mission, then it could be considered unrelated to fulfilling the exempt purpose of the PTA. The relation to PTA activity cannot solely come from the PTA’s need for money.

The judgment as to whether an activity is related or unrelated can only be made on a case-by-case basis.

**There are three special exemptions:**

- ▶ Conducted only once per year.
- ▶ Eighty-five percent (85%) of the work is conducted by volunteers.
- ▶ The selling of donated merchandise.

**The law requires non-profits to report unrelated business activities where gross receipts are at least \$1,000.00 by filing IRS Form 990-T and pay taxes on such income.**

The federal, state and local government may have different standards of pursuing the charge of UBI.

**Nonprofit organizations risk losing their tax-exempt status if such activities become the primary focus and make the tax-exempt mission secondary. National PTA recommends adherence to their 3- 1 Rule. For every fundraiser, you must have three non-fundraising activities. These activities would more than likely be your Program Services (PTA Objectives).**

## **Other IRS Forms**

### **FORM 1099 NEC - NON EMPLOYEE COMPENSATION (Instead of Form 1099-MISC)**

#### **REQUIRED FILING [Form 1099-NEC](#)**

- ▶ Payment of \$600.00 or more
- ▶ Rents, Services, Prizes and Awards, and Other Income Payment. Not required if paid to a Corporation
- ▶ While the form copies for the Recipient, State, and Payee may be completed online, the copy which goes to IRS must be ordered from IRS.

#### **FILING DEADLINE**

- ▶ January 31, 1099-NEC
- ▶ January 31, 1096 - Transmittal See below:

### **Statement for Recipients of Non Employee Compensation**

PTAs may be required to file **Form 1099-NEC** with the IRS if they pay \$600 or more during the **calendar** year to any **non-incorporated business or person** for services rendered or in payment for a grant or award. 1099-NEC forms are **not** required to be issued to corporations, LLC's that are corporations, or to those paid less than \$600. (LLC's that are partnerships or sole proprietors who meet the \$600 threshold, would be required to receive a 1099-NEC.)

Some examples of payments requiring the filing of Form 1099-NEC that your PTA may encounter are:

- ▶ Payments of \$600 or more to a volunteer for expenses when the volunteer does not provide the PTA with specific documentation for the expenses incurred on behalf of the PTA.
- ▶ Payments of \$600 or more in a calendar year to a non-incorporated entity as a grant or for services rendered

**Example:** An entertainer who specializes in teaching music to young children is hired for a one-hour assembly. The PTA hired the entertainer to stage a show in March of this year. The fee is \$350.00 per performance. The entertainer may be paid by check with no further action...**until...**The PTA feels that assembly was such a big hit last school year that they decide to bring him back for another performance in November of the next school year. Again, the fee is \$350.00. Since the entertainer has now been paid more than \$600.00 during the same calendar year, the PTA must now file a 1099-NEC.

**1099-NEC forms must be sent to the recipients on or before January 31 of each year and filed along with transmittal form 1096 with the IRS on or before January 31.** The name and address of the recipient, his or her social security number (or Federal Employer Identification Number) and the amount of the payments must be included on Form 1099-NEC. To obtain the information necessary to properly prepare Form 1099-NEC, the Treasurer should give the payee a **Form W-9 - Request for Taxpayer Identification Number and Certification**. Obtain this by visiting the IRS website at [Form W-9](#).

Because of the substantial penalty potential, it is in a PTA's best interest to issue a 1099-NEC to anyone it is not sure is operating as a corporation or included in the definition of a service provider.

#### **A penalty of \$50 applies to the following:**

- ▶ Each failure to file in time the informational return (Form 1096) - up to a maximum of \$100,000
- ▶ Each failure to furnish recipient Taxpayer Identification Number - up to a maximum of \$100,000
- ▶ Each failure to furnish in time a statement to a payee (1099-NEC) - up to a maximum of \$100,000

For information regarding specifically when and how to file, you can obtain a copy of the instructions for Form 1099-NEC from the Internal Revenue Service.

## **FORM 1096 - Transmittal form for FORM 1099-NEC [Form 1096](#)**

This form is filed along with the 1099-NEC. Currently, this transmittal form must be ordered from IRS

## **FORM 1128 APPLICATION TO ADOPT, CHANGE, OR RETAIN A TAX YEAR**

## **FORM 8868 - APPLICATION FOR EXTENSION OF TIME TO FILE form 990s**

It would be impossible and impractical to include in this booklet, all the information required regarding compliance with and filing of Federal Income tax forms. If your unit requires additional information not contained in this booklet, please contact the Free State PTA at [finance@fspta.org](mailto:finance@fspta.org). To obtain forms, visit [www.irs.gov](http://www.irs.gov).

## **Excess Benefit Transaction**

When a PTA gives “perks” payment, or extra benefits to officers, board members or employees of their association, the IRS may consider it an “excess benefit transaction” and the individual receiving the benefit may have to pay tax penalties.

The Taxpayer Bill of Rights 2, which became law on July 31, 1996, imposes new penalties for engaging in excess benefit transactions. The rule applies to transactions occurring on or after September 14, 1995.

**An “excess benefit transaction” is defined as “any transaction in which an economic benefit is provided by an applicable tax-exempt association (such as PTA) directly or indirectly to or for the use of any disqualified person (officer or board member, or executive of a PTA) if the value of the economic benefit provided exceeds the value of the consideration (including the performance of services) received for providing such benefit”.**

In other words, if a PTA provides a benefit as a consideration for service to an officer or person associated with the PTA that exceeds what would be considered reasonable compensation for that service, it may be considered an excess benefit transaction.

**A “disqualified person” includes any individual who is in a position to exercise influence over the exempt association’s affairs. Officers, directors, board members, and staff of tax-exempt associations will typically be considered disqualified persons. The definition of a disqualified person also includes family members of persons with substantial influence including an individual’s spouse, siblings, children and grandchildren and their spouses.**

The law identifies different types of excess benefits transactions including:

**Non-Fair Market Value Transactions** - When a disqualified person purchases or leases property and pays less than market price as determined under established tax law standards, it is considered a non-fair market value transaction.

**Unreasonable Compensation Transactions** - When a disqualified person receives unreasonable compensation for consideration of services. Reasonable compensation is that amount that a similar for-profit as well as non-profit enterprise would pay for under similar circumstances.

**Revenue Sharing Transactions in Violation of Private Inurement Rules** -Private inurement transactions take place when an individual takes advantage of the association’s tax benefit for private gain. An example would be using the PTA’s tax-exempt status to buy computer equipment (tax-free) that was actually being purchased for personal use.

## **Fines & Penalties**

The disqualified person is subject to an initial excise tax of 25 % of the amount of the excess benefit. If the excess benefit is not repaid within a time period specified by the IRS, the disqualified person must pay a tax equal to 200% of the excess benefit. The association’s managers, including volunteers, who knowingly approve the transaction that results in the excess benefits, are jointly liable for a tax of 10% of the excess benefit, up to a maximum of \$10,000.

## **Flea Markets**

Independent sellers of taxable items at flea markets and other events sponsored by PTAs must be registered to collect and remit Maryland sales and use tax, except individuals renting space to sell only their own unwanted household goods not acquired for the purpose of resale. Each exhibitor must also have either a Traders License or an Exhibitor's Affidavit. Licenses can be obtained from the Clerk of the Circuit Court of your county. Affidavits can be obtained from the State License Bureau (410260-6240 or 866-239-9359). It is the responsibility of the PTA to see that either a license or affidavit is conspicuously displayed if one is required. The PTA should notify the Temporary License Section (410-767-1543) of the date and location of the event, and of the name, address, sales and use tax number, and type of merchandise of each exhibitor. The information should be provided at least ten days prior to the event. Within seven days after the conclusion of the event, the PTA must send all Exhibitors' Affidavits to the Comptroller of the Treasury, State License Bureau, Room 314, 80 Calvert Street, Annapolis, MD 21401.

## **Admission Tax**

Gross receipts from activities normally subject to the Admissions and Amusements Tax are exempt from that tax if no promoter is hired or compensated to manage the event, and the gross proceeds from the event are donated to a school or are otherwise exclusively used for educational purposes. For more information, contact the Maryland Special Events Section (410-767-1531).

# Loss Prevention

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Missing Funds/Embezzlement of PTA Funds

Prevention

Missing Funds

## Missing Funds/Embezzlement of PTA Funds

**As a member of the board of directors of an association (including a PTA local unit or council), it is the individual responsibility of each board member to make sure the association is running in a fiscally, financially, and legally sound manner.**

When an individual becomes a board member, either through election or appointment, that person becomes legally obligated to conduct him/herself prudently, properly and responsibly (as an individual), and to be sure the association conducts itself in a manner so that the best interests of the association and its members are protected and preserved.

If an individual, as a member of a board, does not exercise reasonable caution and care, that person is left open, not only to criticism from his/her peers, but to potential personal liability for financial losses or damages resulting from failure to exercise reasonable care during the term as a board member.

**This is known as a "FIDUCIARY RESPONSIBILITY".**

Theft is breaking the law and should be handled as a serious offense. Embezzlement is the same as ordinary theft. The charges are criminal and need to be filed with the police department. **It is important to know that it is the responsibility of any PTA leader who suspects embezzlement or fraud to report it to the proper authorities, otherwise, they may also be held liable.** If the police department finds evidence enough to file criminal charges, the police department or the governmental attorney's office will pay the cost of the trial.

If a civil suit is filed by a local PTA, the attorney's fees are paid by that local PTA. (In general, a suit is any civil action brought before a court of law. Criminal prosecutions are not spoken of as suits.)

**DO NOT make any public or private statements, seek the advice of the school district, or take any action without notifying the Board of Directors and Free State PTA.**

PTAs can do little about the motive and rationalization involved with fraud but can make the ability to commit fraud more unlikely by removing the opportunity.

## **Prevention**

Take the steps below to prevent a potential crime from taking place in your PTA. Refer to the section on Internal Controls.

- Demand complete written treasurer's reports showing expenditures since the last report and comparison with budgeted amounts.
- Bank statements are to be mailed to the school address.
- The president should review and sign the statement before delivering it to the treasurer.
- Resolve each bank statement and have an officer without signature authority compare the resolved bank statement with the treasurer's report.
- Establish, in writing, the process and individuals authorized to handle PTA funds.
- Implement cash control policies:
- Deposit PTA funds in the PTA bank account immediately upon receipt.
- Use bank accounts requiring two signatures.
- NEVER sign a blank check.
- Disbursement request forms should be used with approval signatures and receipts in the amount of the check attached.
- Pay all bills by check - cash is never used.
- Establish a two signature - two receipt process for the exchange or transfer of funds within the PTA.
- Conduct an annual review of the books.

## Missing Funds

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Occasionally, a PTA discovers (or suspects) that some funds are missing.

When this occurs: **IMMEDIATELY CONDUCT A COMPLETE AND THOROUGH FINANCIAL REVIEW.**

This is the most basic, yet most important step. **Until the PTA can prove that funds are missing or have been mishandled - there is no proof that funds are missing, no proof of wrongdoing exists, and therefore, no allegations can be made.**

The Financial Review Committee is a committee that "investigates and reports". During its investigation, it can interview people as well as examine the financial records and other related documents of the association.

The Financial Review Committee must report its findings to the PTA Board of Directors/Executive Committee. Its report to the board should be factual - telling what was found and stating what remains unresolved.

### **THE BOARD OF DIRECTORS MUST ACT ON THE REPORT.**

If funds are missing, the board has the **legal obligation** to take every reasonable action to recover those funds. It must recognize that recovery of the funds may not be possible in some instances.

Contact Free State PTA to discuss the next steps. Contact AIM Insurance for more information. See the links at the end of the document.

**Beware of defamation of character. Do not publicize the alleged misappropriation.** Limit this knowledge to the smallest group of people who must know. Ask for a "face to face" meeting in a private space in a public place. Present the evidence and ask for the money to be returned. If the Board is not comfortable with a "face to face" meeting, send a certified letter requesting the return of funds and all PTA materials.

If this is unsuccessful, the Board of Directors/Executive Committee must meet and agree on the action to take. Decisions must be based on sound business practices. **All action taken by the board must be "on the record" - that is, recorded in the board's minutes.** If you have not already, contact Free State PTA at [finance@fspta.org](mailto:finance@fspta.org). Then contact AIM Insurance for help with the claim process.

### **THE BOARD MUST REPORT THE INCIDENT AND THE ACTIONS IT TOOK TO THE MEMBERSHIP.**

The funds of the PTA belong to the membership, and as caretaker of those funds, the board is obligated to report to the members any wrongdoing involving those funds. You may tell the principal/school district however, this is PTA business and must be dealt with by the association.

Public or private statements **MUST NOT** be made, regardless of the severity of the situation or its public knowledge. Free State PTA must be contacted for assistance.

Laws vary from locale to locale. Even if a PTA does not wish to file charges, a law enforcement agency may wish to do so. On the other hand, the law enforcement agency may not be interested in pursuing legal actions and other options may be recommended. There are many paths to collection of stolen funds and this is where legal advice\* may be necessary.

**\*\*This information is not intended to provide legal advice but to give direction regarding the decision-making process and issues related to the mishandling of PTA funds. \*\***

# Glossary

**501(c)(3):** refers to public charities and private foundations as defined by the IRS.

Visit <https://www.irs.gov/charities-non-profits>

## **A**

**Accounting:** The system of recording and summarizing business and financial transactions and analyzing, verifying, and reporting the results.

**Annual Financial Review:** The examination of PTA financial records and transactions to assure the membership and Board of Directors that the funds of the PTA have been properly administered and that good financial practices have been followed.

**Annual Financial Report:** Report prepared by Treasurer at the end of the PTA fiscal year with a comparison of the budget and the actual PTA expenses.

**Annual Update of Registration:** Organizations soliciting charitable contributions in Maryland are generally required to register with the Office of the Secretary of State as a charitable organization. Registration is required before soliciting in Maryland begins and continues on an annual basis.

**Annual Report/Personal Property Return:** Required Annual Report of Corporate Officers and Directors and related information and report of any business personal property owned or leased by January 1st.

**Approval by General Membership:** The requirement that all expenditures, programs and projects, including those specified in the budget, must obtain approval and/or ratification by the membership. All approval of expenditures, programs and projects **MUST** be recorded in the minutes.

**Approved Budget:** Budget that was present to and ratified by the general membership.

**Articles of Incorporation:** Official statement of creation of an organization; it is filed with the appropriate state agency.

**Articles of Revival:** Form filed to reinstate a corporation after Articles of Incorporation have been forfeited.

**Audit:** The formal examination of an organization's financial records by a professional accounting firm.

**Authorization for Payment:** An authorization for payment documents approval to pay bills for services or supplies, or reimbursement to a member for expenses. After approval by the association, the completed authorization for payment permits the treasurer to write checks. All bills, receipts and invoices should be attached to approved authorization.

## **B**

**Bank Reconciliation:** The process of bringing into agreement the bank balance as shown on the bank statement, the checkbook ledger, and the check register. The purpose is to ensure that the bank records and the association's financial records are correct, to identify outstanding checks, and to determine the actual balance against which future checks may be drawn.

**Bank Signature Cards:** Record of the signatures of officers authorized to sign checks for a bank account.

**Blanket Certificate of Resale:** Form given to a vendor for Sales and Use Tax purposes.

**Board of Directors:** A group of people who manage or direct a company or organization.

**Bonding:** A type of insurance recommended to have in place covering all volunteers and employees who have access to the organization's cash or other valuable assets. If a covered individual misuses funds, the organization will recover its loss from the bonding company (up to the amount of the bond).

**Budget:** A detailed annual financial plan that anticipates and projects both revenues and expenses of an organization.

**Budget Amendment:** A change to a budget that was already approved by the general membership. The change must be presented and ratified by the general membership before it can take effect.

**Business:** Continuous and regular activity that has income or profit as its primary purpose.

**Bylaws:** Specific rules of operation for the orderly conduct of business adopted by vote of the members. All PTA bylaws have certain specified sections in common which cannot be changed.

**Bylaws Amendment:** A formal change to the original bylaws of an organization; the bylaws themselves should outline amendment procedures.

## C

**Carryover Funds:** These funds are the amount which is set aside to begin operations at the beginning of the next PTA fiscal year, prior to the onset of fundraising activities.

**Cash Verification Form:** A form to document receipt of coins, currency and checks from membership, fund- raisers, and donations, which protects and safeguards volunteers' handling of PTA funds.

**Categorical Budget:** Budget broken down into categories instead of individual line items.

**Certificate of Insurance:** A document issued by the insurance broker (**AIM Insurance**) certifying that an insurance policy covering general liability is in force. A Certificate of Insurance is included in the Insurance and Loss Prevention Guide emailed to all units and councils, and PTAs in good standing. A copy may be obtained by contacting AIM Insurance Services.

**Charitable Contribution:** A tax-deductible donation given to a nonprofit organization

**Charitable Solicitation Act:** A charitable organization soliciting in Maryland generally must file documents with the Office of the Secretary of State. Registration is required prior to the commencement of solicitations. The type of registration required depends upon the level of charitable contributions received by a charitable organization. Visit <https://sos.maryland.gov/Charity/Pages/Registering-Charity.aspx>

**Charter:** The legal organizational document for a nonprofit; also known as the Articles of Incorporation or articles of organization; may also refer to a formal description of responsibilities assigned to a committee, a chapter, or an affiliate.

**Check Signer:** Officer authorized to sign checks for the PTA bank account.

**Commingled Funds:** Funds from two organizations deposited together. Because a unit is a 501(c)(3) nonprofit association, it must comply with all Internal Revenue Service (IRS) requirements, regulations and laws. The IRS considers all funds in PTA accounts to belong to the association regardless of source. A PTA must handle only those funds over which it has full control and the total amount must be declared as gross income to the PTA. All funds in the PTA account must have association approval for disbursement.

**Code of conduct:** The formal or informal ethical standards expected of the Board of Directors and members of an association.

**Conflict of Interest:** Per the IRS Form 990 instructions, A conflict of interest arises when a person in a position of authority over an organization, such as an officer, director, or manager, can benefit financially, personally or professionally from a decision he or she could make in such capacity, including indirect benefits such as to family members or businesses with which the person is closely associated.

**Conflict of Interest Policy:** A written document intended to ensure that decisions made about an organization's operations and the use of its assets are made solely with the best interest of the organization in mind, and that no private or personal benefit to any affiliated individual will result. All board members should be cognizant of the conflict-of-interest policy, and annually disclose whether they have any "interests that could give rise to conflicts" (IRS Form 990).

**Contract:** A legally enforceable agreement between two or more persons or organizations. Contracts must be approved by the PTA membership before being signed by two elected officers, one of whom must be the president.

**Contributions:** Donations of money, property, or services received by the PTA from individuals or businesses. PTAs must follow IRS guidelines for receipts/documentation of contributions.

**Counter Check:** Counter checks are checks that you get at a bank branch, usually from a teller. These are not cashier's checks. Counter checks are not allowed to be used for PTA.

## D

**D&O (Directors and Officers) insurance:** Insurance that protects board members from personal liability created by board decisions or actions.

**Department #:** The identifying number assigned to a business by the Maryland Department of Assessments and Taxation. You can find this on the Articles of Incorporation and the front of the PTA bylaws.

**Deposit:** Act of placing funds in the bank for safe keeping.

**Disbursement:** The act of paying out funds from an account.

**Disclosure requirement:** Regulations requiring nonprofits to share financial or other information with the public, defining IRS form 990 as a public document

**Disqualified person:** Includes board members or any other member who, within the past five years, was in a position to exercise substantial influence over the affairs of the organization, also family members of the above.

**Dissolution of nonprofits:** The formal procedure by which a nonprofit cease to operate or exist; involves filing with the state and distribution of assets

**Donor:** One that gives or presents something for the PTA.

**Due diligence:** An expectation that a board member exercises reasonable care and follows the business judgment rule when making decisions

**Duty of Care:** Requirement that board members be reasonably informed about the organization's activities, participate in decisions, and do so in good faith and with the care of an ordinarily prudent person in similar circumstances

**Duty of Loyalty:** A requirement that a board member remain faithful and loyal to the organization and avoid conflicts of interest

**Duty of Obedience:** A requirement that a board member remain obedient to the central purposes of the organization and respect all laws and legal regulations

## E

**EIN:** An acronym for Employer Identification Number. This is a nine-digit unique number assigned by the Internal Revenue Service (IRS) to businesses operating in the United States.

**Embezzlement:** Stealing of money entrusted into one's care by means of fraud for one's own use.

**Exempt Fundraising Notice:** Required to be filed annually to the Maryland Secretary of State by charitable organizations that raise less than \$25,000 in charitable contributions.

**Excess benefit transaction:** A transaction in which an economic benefit is provided by a nonprofit, directly or indirectly, to a disqualified person (board member), and the value of the economic benefit provided by the organization exceeds the value of the consideration (including the performance of services) received by the organization

**Excise tax:** A tax issued by the IRS on nonprofits that violate specific regulations.

**Executive committee:** A committee that has specific powers, outlined in the bylaws, which allow it to act on the board's behalf when a full board meeting is not possible or necessary.

**Expenses:** What an organization spends to conduct its activities (for example, salary, office supplies, rent).

## F

**Facilities Use Permit:** A permit required by most school districts that when approved authorizes the PTA to use school site facilities.

**FEIN:** An acronym for Federal Employer Identification Number. This is a nine-digit unique number assigned by the Internal Revenue Service (IRS) to businesses operating in the United States.

**Fiduciary duty:** A responsibility of board members and the nonprofit board **as a whole** to serve as trustee of the organization's assets on behalf of the greater community; responsibility for financial viability and proper handling of financial matters.

**Financial Review Committee:** Three PTA members, that were not check signers or people related to check signers for the year being reviewed, appointed by the Board of Directors to review the financial books of the PTA at then end of the fiscal year.

**Fiscal Year:** The financial accounting period established by the PTA and identified in the Bylaws for Local PTA/PTSA unit Bylaws, as a time for the association to close its financial books and records for the past 12-month period. The IRS is notified of the fiscal year at the time of organization when IRS Form SS-4 is submitted.

**Forfeited:** Means the right of the entity to conduct business in the State of Maryland has been relinquished and it has no right to use its name. For domestic corporations, this also means that the business has no existence under the laws of the State of Maryland. In most circumstances, a business is forfeited only after it has been "not in good standing" for a period of time.

**Form 990: Return of Organization Exempt from Income Tax, and Form 990-EZ:** Are used by tax-exempt organizations, to provide the IRS with the information required by section 6033. An annual information form submitted to the IRS, a public document listing information concerning an organization's finances and programs, as well as names of board members. <https://www.irs.gov/forms-pubs/about-form-990>

**Form 990-EZ:** 990 short form. <https://www.irs.gov/forms-pubs/about-form-990ez>

**Form 990-N:** Form 990-N, *Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or Form 990EZ*, must be submitted electronically.

<https://www.irs.gov/charities-non-profits/annual-electronic-filing-requirement-for-small-exempt-organizations-form-990-n-e-postcard>

**Form 990-T:** A financial form for organizations who must pay unrelated business income tax.

<https://www.irs.gov/forms-pubs/form-990-t-exempt-organization-business-income-tax-return>

**Form 1023:** An application form for nonprofits that want to be recognized as a 501(c)(3) organization.

<https://www.irs.gov/forms-pubs/about-form-1023>

**Fraud:** Wrongful or criminal deception intended to result in financial or personal gain.

**Fundraising:** A wide variety of activities that help generate donations for an organization.

**Fundraising expenses:** Expenses incurred to induce donors, foundations, and others to make contributions to an organization.

## G

**General Membership:** The body of members of an organization.

**Gifts to Individuals:** A personal gift to a PTA member or school staff. Gifts to individuals cannot be paid for with PTA funds. Personal gifts include gift cards, gifts for baby showers, secretary's day, bereavements, weddings, or birthdays. If the unit wishes to recognize an individual, donations must be collected as freewill offerings and the money maintained separately from PTA funds.

**Gifts to Schools:** Gifts to the school that benefit the largest number of students possible. Be sure to check with the school district before purchasing any materials for the school. Gifts should be in the form of a donation, presented and accepted by the school board at a school board meeting, and recorded in the school board minutes. Always use a fiduciary agreement.

**Good Standing:** The term applies to PTA units and councils that have met all requirements specified in the bylaws, which includes remittance of insurance premiums and membership dues to Free State PTA by the established due dates.

**Grants:** A specific set of dollars given by businesses, foundations, and corporations to an organization to perform specific functions. Projects for which PTA is seeking grants must promote the Purposes of the PTA and be relevant to the goals of PTA.

**Grant Process:** A sum of money allotted for a specific use by official or formal action and the documentation that is required to allow it.

**Gross Receipts:** The total amount of receipts before any deductions are taken or expenses are paid.

**Governance:** The legal authority of a board to establish policies that will affect the life and work of the organization and accountability for the outcome of such decisions

## H

**Hold Harmless Agreement:** An agreement in which the signing party assumes responsibility for all acts and all liability for any injuries that occur related to an event. PTA MUST NOT SIGN A HOLD HARMLESS AGREEMENT. PTA insurance does not cover vendors, concessionaires, or service providers; these entities must provide Evidence of Insurance to each PTA. A Hold Harmless Agreement may be found in the Insurance and Loss Prevention Guide.

## I

**Incorporation:** A legal process through which a group is created and recognized by the state as an entity separate from the individuals who manage or govern it; limits individual responsibility for actions of the group.

**Internal controls:** Those processes and procedures that protect the assets of an organization and promote its efficient operation thus helping to ensure its long-term stability and continuation of programs. Good controls act as both a deterrent to, and detective of, improper behavior by board members and volunteers. The key to good internal controls is segregation of duties. The general rule is that no one person should be in a position to completely control all aspects of a transaction from its initiation through approval, handling of assets, and recording.

**IRS - Internal Revenue Service :** A bureau of the Department of Treasury that is tasked with the enforcement of income tax laws and oversees the collection of federal income taxes. [www.irs.gov](http://www.irs.gov)

**IRS Determination letter:** An official notification by the IRS stating that a nonprofit is recognized as a tax-exempt organization

## L

**Liabilities:** Everything an organization owes, the sum of its debts and obligations.

**Libel:** the making of false statements that damage another's reputation.

**Line Item Budget:** An approved Budget that is broken down by individual lines representing each budget item. Each line must be reviewed and approved by the general membership.

**Lobbying:** Attempting to influence legislation through direct contact with lawmakers or with constituents

## M

**Membership organization:** A nonprofit that grants its members specific rights to participate in its internal affairs and/or to receive certain benefits in return for payment of membership dues

**Minutes:** The permanent legal record of all action taken by the association and the executive board. All financial reports become a part of the minutes.

**Mission:** The fundamental purpose and reason for which an organization exists

## N

**Nonprofit organization:** A nongovernmental organization established for purposes other than profit making

## O

**Officer:** a leadership position with a specific set of responsibilities; on a board typically refers to the chair, vice- chair, secretary, or treasurer

**Online Banking:** a method of banking in which transactions are conducted electronically via the Internet. Bill pay, ACH, online purchasing using the PTA's bank account is prohibited. All PTA obligations must be paid by check with two signatures, according to the bylaws.

**Operational reserves:** a reasonable buffer against unforeseen, seasonal, irregular, or exceptional cash shortages

## P

**Plan of Work:** describes a project to be carried out and outlines how it will be done.

**Policy:** a written and binding guideline for action; creates limits on the range of acceptable options

**Private inurement or benefit:** Improper receipt of a financial benefit by a person who is an "insider" to a nonprofit

organization. **Insiders include members of the governing board, close members of their families, and other organizations with which they are connected.** Illegal under Section 501(c) of the Internal Revenue Code, private inurement can lead to financial penalties against both the receiver of the benefit and the persons in the organization who authorized the benefit, along with possible loss of tax-exempt status.

**Program expense:** An expense that directly or indirectly supports specific activities constituting an organization's purpose(s) or mission(s) for which it exists.

**Public Charity:** A nonprofit organization providing a public service as defined by the Internal Revenue Code Section 501(c)(3).

## Q

**Quorum:** The minimum number of members of the PTA body that must be present at any of its meetings to make the proceedings of that meeting valid.

## R

**Receipts:** An amount of money received during a period by an organization or business.

**Robert's Rules of Order:** A parliamentary procedure used to conduct meetings.

**Ratification:** The approval by the membership of an action taken by the PTA executive committee as specified in Bylaws for Local PTA/PTSA Units.

**Reimbursement of Expenses:** Allowable out-of-pocket officers' expenses shown as a line item on the budget adopted by the association are reimbursable. Reimbursement is made upon the submission of an expense statement and/or receipts.

## S

**Sales Tax:** A tax imposed on the purchase of products.

**Sales & Use Tax:** See Sales Tax

**Sales & Use Tax Exemption Certificate (SUTEC):** Having this permits you to avoid paying sales tax on items purchased for use by the association.

**Scrip:** A coupon which may be redeemed in lieu of using cash at the store that issued the scrip. Scrip is purchased, usually from grocery stores, in large amounts for a discount off the face value. The PTA sells the scrip at the full value, raising funds for the unit. Many companies now offer electronic e-scrip.

**Scholarships:** Funds to assist students in furthering their educational objectives. The scholarship program, including the amount and number of scholarships to be awarded, must be approved by the membership.

**Slander:** The action or crime of making a false spoken statement damaging to a person's reputation.

**Sponsorship:** Financial support received from a business. The law permits a PTA to receive corporate sponsorship income tax free, if the sponsorship is linked to a specific event and the event is held once per year. The PTA gives the corporate sponsor an acknowledgment of thanks in return for the sponsorship.

**Standards of Affiliation:** A list of requirements which local units must comply with to be affiliated with a larger group.

**Standing Rules:** Relate to the details of the administration of the organization.

## T

**Tax-deductible donation:** A donation in which the donor can deduct the amount of the donation from his or her taxable income

**Tax exempt:** Literally, statutorily exempt from tax.

**Transparency:** A system of operation and communication that enables people to understand how the organization operates, makes decisions, and uses resources; an important aspect to ensure public trust

**Treasurer:** A board officer position that is responsible for coordinating and ensuring financial oversight of the organization

## U

**Unrelated business income (UBI):** Income from a trade or business, conducted by a tax-exempt organization, that is not substantially related to the purposes for which the organization is exempt. Net income from such a business is taxable. (See Internal Revenue Code Sec. 512 and 513 for the precise definition.)

**Unallocated Reserve Funds:** The amount remaining after making allocations for budgeted programs and activities and may be used to cover any unexpected or unplanned expenses in the current fiscal year. The association must adopt a budget amendment to transfer funds from Unallocated Reserves to a specific budget category prior to disbursing funds.





