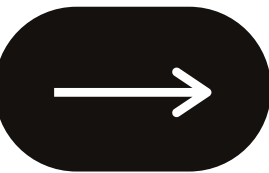




FREE STATE PTA
CON LIVE
AUGUST 12-14, 2021

Financial Management Training For All PT(S)A Leaders



Mission & Purpose of PTA

To Make Every Child's Potential A Reality By
Engaging And Empowering Families And
Communities To Advocate For
All Children.



Financial Management Training

For ALL PT(S)A Leaders

Wayne Bauman

**National PTA
Field Service Committee**



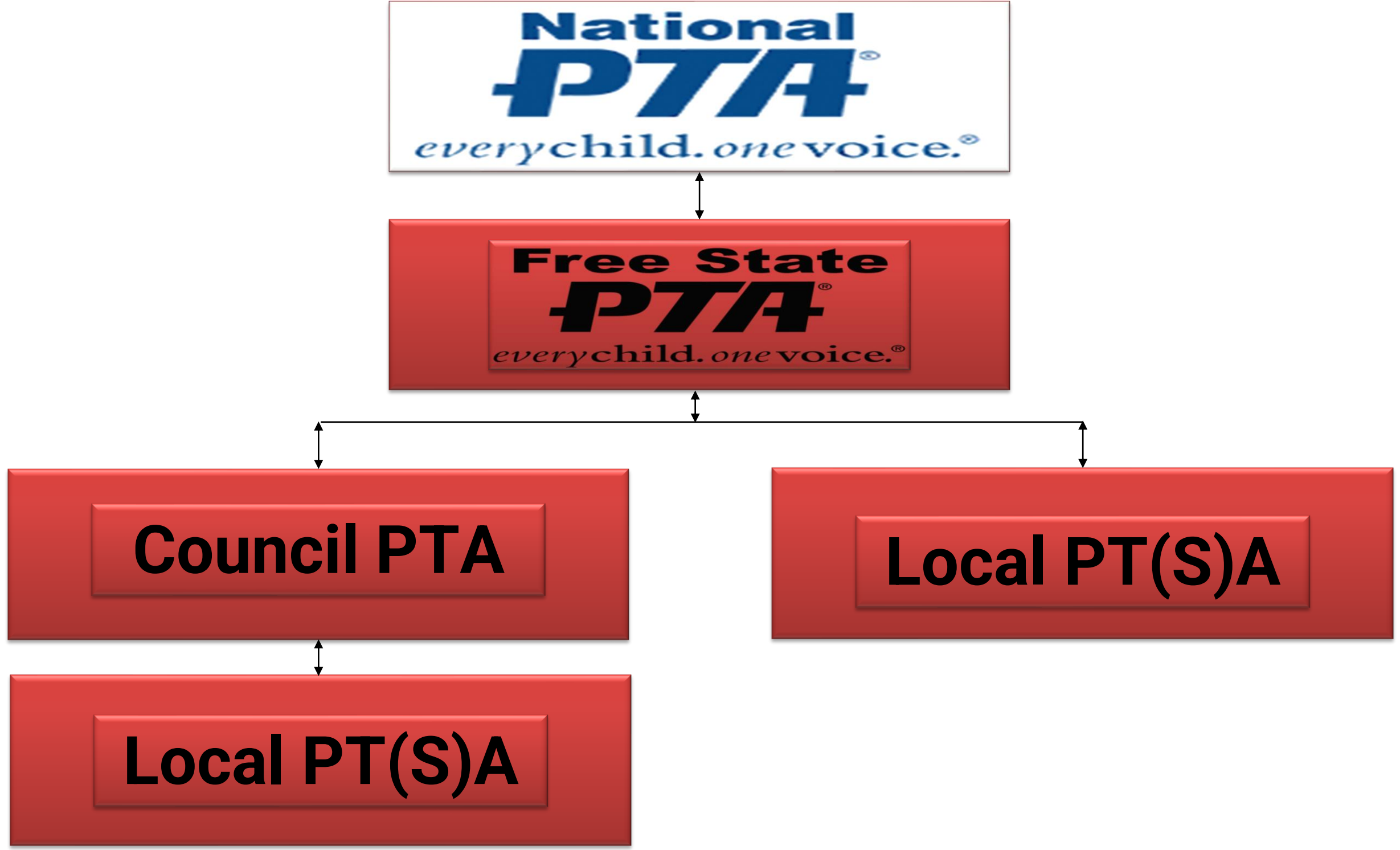
Laura Mitchell

**Vice President of Advocacy &
Operating Budget Committee Chair**



3

Structure of PTA



Treasury Topics



PT(S)A 501(c)(3) Non-Profit Status



Fiduciary Responsibilities of the Board



Duties of the Treasurer



Budget Development



Principals & Procedures of Financial Management/Contributions



Financial Review/Forms



Loss/Crime Prevention

501(c)(3) Basics For Your PT(S)A



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Tax Exempt Organization

“To be tax-exempt under section 501(c)(3) of the Internal Revenue Code, an organization must be organized and operated exclusively for exempt purposes set forth in section 501(c)(3), and none of its earnings may inure to any private shareholder or individual. In addition, it may not be an action organization, i.e., it may not attempt to influence legislation as a substantial part of its activities, and it may not participate in any campaign activity for or against political candidates.” ([IRS.gov](https://www.irs.gov))

Tax-Exempt Organization

What the WHAT?

- [Organized](#) exclusively for a charitable/exempt purpose; such as education
 - See your IRS Determination Letter in your permanent files.
- [Operated](#) for exempt purposes with an exception for “an insubstantial part of its activities”
 - 3:1 Fundraising to Programing Guidance
- [Exempt purposes](#) – Education, relief of the poor, the distressed, or the underprivileged; advancement of education or science; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency.
- [Action Organization](#) – **NO Political, only limited (insubstantial) lobbying, activities**

Safeguarding Your Tax-Exempt Organization

Are You Lobbying or Advocating?

- **PT(S)As are ADVOCATES**

- Advocacy: PT(S)As **MAY** be involved in issues of public policy by conducting educational meetings, preparing and distributing educational materials, or otherwise consider public policy issues in an educational manner without jeopardizing their tax-exempt status.

- **PT(S)As must limit lobbying to an “insubstantial” part of their activities.**

- Lobbying: “Attempts to influence legislation (contacts, or urges the public to contact, members or employees of a legislative body for the purpose of proposing, supporting, or opposing legislation, or advocating the adoption or rejection of legislation)”

Charitable Assets In Perpetuity

- If a PT(S)A dissolves, their assets must be donated to charitable organizations. Our bylaws designate that the donation be directed to Free State PTA.

Safeguarding Your Tax-Exempt Organization

Avoid Hidden Dangers

- Inurement
- Lobbying
- Political Activity
- Unrelated Business Income
- Failure to File Required Returns/Forms

Why Be A Tax-Exempt Organization?

Why?

- Eligible to receive tax-deductible contributions
- Exempt from Federal Income Tax
- Possible exemption from state income, sales, and employment taxes
- Reduced postal rates



It's Not Personal, It's ALL Business

Each PT(S)A unit:

-
- is a business.
-
- must be operated & accountable as a business.
-
- must comply with all local, city, county, state and federal regulations.
-
- must remain focused on the mission, not personal agendas.

Board of Directors Fiduciary (& Personal) Responsibilities



**FREE STATE PTA
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AUGUST 12-14, 2021**

Executive Committee

Elected Officers*

President*

Vice President(s)

Secretary*

Treasurer*

*MARYLAND NONPROFIT LAW REQUIRES.

See Bylaws for Qualifications, Nomination, Election, Duties, and more.

Appoint Nominating Committee in February/March. Plan for Elections in May.

Board of Directors*

Elected Officers

Standing Committee Chairs

Delegates to Council

Principal (or their designee)

NAACP Representative

Student Representative (for PTSAs)

Parliamentarian (Optional)

*All Board Members MUST be current members of the PT(S)A they are serving, per your bylaws.



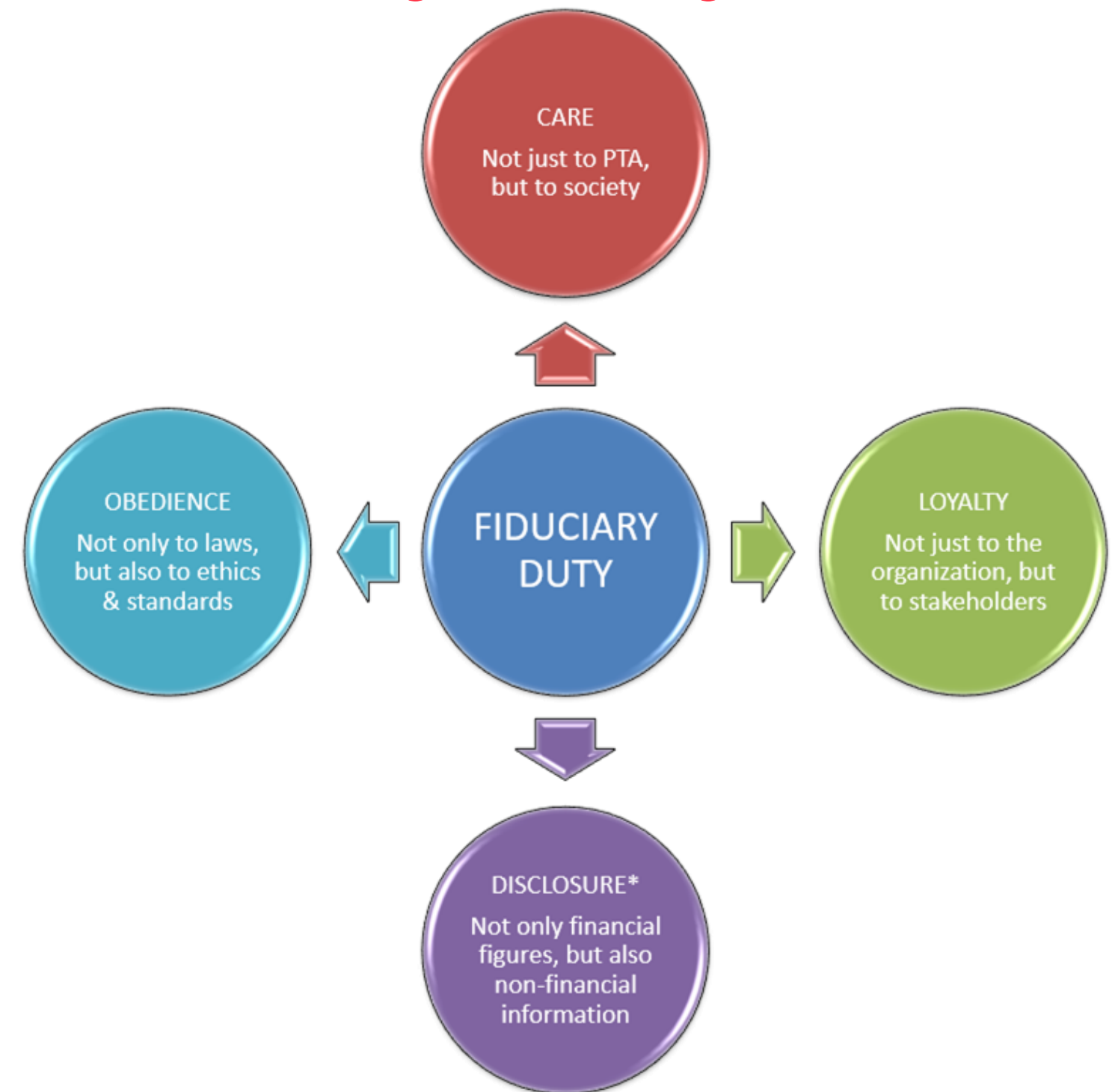
What is a Fiduciary?

- A Fiduciary is a person(s) who holds something in trust for another.
- A PT(S)A board is charged with holding the well-being of the PT(S)A in trust for its members.
- A fiduciary's responsibilities or duties are both **ethical and legal**.
- The fiduciary - **the Board of Directors individually & collectively** - is expected to manage the assets for the benefit of the PT(S)A rather than for his or her own profit and cannot benefit personally from their management of assets.
- The entire **Board of Directors individually & collectively** - is responsible for the actions of the PT(S)A!

What is a Fiduciary Responsibility/Duty?

Each elected member of a nonprofit board has **three (3) LEGAL duties**, collectively known as their “**FIDUCIARY**” duty.

- **Duty of Care**: to pay attention to the organization’s activities and operations;
- **Duty of Loyalty**: to put the interests of the organization before personal and professional interests;
- **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.



Delegation Does Not Relieve A Board Of Accountability Or Liability

Delegate: To allocate duties and responsibilities to another to act on the Board's behalf.

Chairs, committees, etc.

Abdicate: To abandon those delegated duties and responsibilities.

The board must monitor those to whom it has delegated authority to make sure they are acting responsibly.

Delegate don't Abdicate!

Stay informed

Treasurer's Basics



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AUGUST 12-14, 2021**

First Things First

1. Review bylaws, financial guides, and training materials.
2. Plan transition meeting(s) with the outgoing treasurer.
3. File new signature cards at bank with new officers.
4. ***Only accept books that have been reviewed and approved!***
5. Review Financial Review Committee recommendations.
6. Receive/review previous files and permanent records.
7. Verify insurance is paid and active.

Treasurer's Tools

- ✓ Bylaws & Standing Rules
- ✓ Financial Guides
 - ✓ Cash Management Guides
 - ✓ Leadership Guides
- ✓ Prior Budgets
- ✓ Proposed Budget



- ✓ Receipt Book
- ✓ Account books/software
- ✓ Financial Reviews
- ✓ Annual Financial Report
- ✓ Certificate of Insurance
- ✓ Current Insurance Guide

Accounting

- PT(S)As in Maryland
 - Operate on a Fiscal Year: July 1st – June 30th
 - Operate on a CASH Basis
 - Treasurer only counts funds that are actually received or spent between July 1st and June 30th
 - Outstanding or unpaid bills are counted in the next year, when they are paid

Duties

- Complete Training with a Council PTA, Free State PTA, or National PTA e-learning
- Chair The Budget Committee To Prepare & Monitor The Budget
- Prepare Written Treasurer's Reports:
 - Upon Request & For Every General, Board of Directors, and Executive Meeting & Annual Financial Report (Budget to Actual Report)
- Pay All **Authorized** PT(S)A Financial Obligations
- Collaborate with Membership and Fundraising Chairs
- Maintain Organized Records & Treasurer's Permanent Records for Financial Review

Duties

- Properly Receive, Deposit, and Disburse Funds
 - ✓ By check - all checks must have two signatures
 - ✓ By e-check with DUAL AUTHORIZATION* (if authorized)
 - ✓ By credit card with DUAL AUTHORIZATION* (if authorized)
- Retain:
 - ✓ All Receipts
 - ✓ Bank Statements/Cancelled Checks
 - ✓ Deposit Slips
- Forward State/National Dues to Free State PTA Monthly
- Deliver All Records & Passwords to Successor

*Look for additional guidance from FSPTA for specific requirements to use this option with two “signatures”.



Duties

- Prepare and Submit Forms

- ✓ [Federal Tax Returns](#)

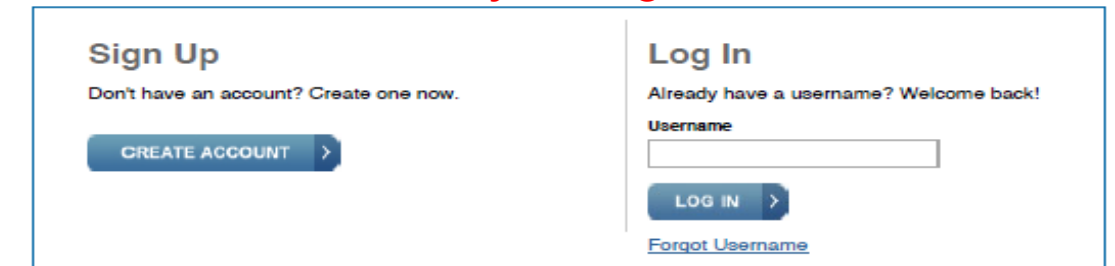
- ✓ 990 - Gross Receipts \$200k or more
- ✓ 990EZ - Gross Receipts less than \$200k & \$50k or more
- ✓ 990N ([e-postcard – online only](#)) - Gross Receipts less than \$50k
- ✓ Issue IRS Form [1099](#) and [1096](#) submittal form (uncommon)

- ✓ [Maryland Tax Filings & Organization Registrations](#)

- ✓ [Annual Financial Report for Charities- Form COF-85](#) OR [Exempt Organization Fund-Raising Notice](#)
- ✓ [State Sales and Use Tax Forms](#)
- ✓ [Annual Report/Personal Property Report](#) (Domestic Non-Stock Corporation - D \$0)

- ✓ **Insurance Renewal & Payment ([AIM Insurance](#))**

Pro Tip:
**Get Passwords From Previous Treasurer
& Immediately Change Passwords**



The screenshot shows a user interface with two columns. The left column is titled 'Sign Up' and contains the text 'Don't have an account? Create one now.' and a blue button labeled 'CREATE ACCOUNT >'. The right column is titled 'Log In' and contains the text 'Already have a username? Welcome back!', a text input field for 'Username', a blue button labeled 'LOG IN >', and a link for 'Forgot Username'.

Record Retention

Permanently

- Articles of Incorporation
- All Financial Reviews/Audits
- Any IRS Documents
- Insurance Records
- Minutes

10 Years

- Budgets
- Financial Statements

7 Years

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

1 Year

- Deposit Slips
- Bank Reconciliations

Budget Basics



**FREE STATE PTA
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AUGUST 12-14, 2021**

Budget Structure

- **Two Ways To Structure A Budget**

- Line Item – Board & Members Approve Each Budget Line

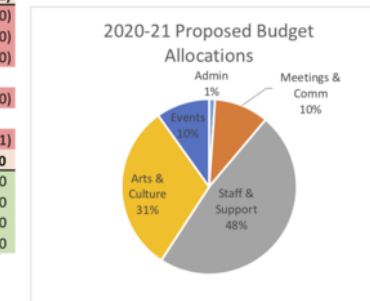
- Categorical – Board Approves Each Budget Line & Members Approve Each Category

- This allows Board to make adjustments within the budget category

Proposed 2020-2021 Budget

Color Key
 Decrease from previous year
 Increase from previous year
 New item added for next year

Sacajawea PTA	Budget 20-21	Change from previous year	
Administration	\$ 911.00	\$ (601.91)	
Insurance	\$ 600.00	\$ (50.00)	
PTA Leadership Training	\$ -	\$ (400.00)	
Bank Fees	\$ 100.00	\$ (100.00)	
Charitable Registration	\$ 10.00	\$ -	
Annual Corp. Renewal (SOS Nonprofit)	\$ 50.00	\$ (50.00)	
Tax Fees	\$ 50.00	\$ -	
Supplies	\$ 101.00	\$ (1.91)	
PTA Meetings and Communications	\$ 8,350.00	\$ 3,785.00	
PTA Meeting Support (ASL)	\$ 4,000.00	\$ 1,695.00	
PTA Meeting Support (Food)	\$ 2,200.00	\$ 1,250.00	
PTA Meeting Support (Childcare)	\$ 1,250.00	\$ 690.00	
Printing/Copies/Website	\$ 300.00	\$ 150.00	
PTA special guest	\$ 200.00	\$ -	
Legislative assembly registration	\$ -	\$ -	
School directory publication	\$ 400.00	\$ -	
Staff & Support	\$ 40,014.00	\$ (28,963.22)	
Hourly Staffing Needs/Tutors	\$ 13,000.00	\$ -	commitment letter
Teacher Stipends	\$ 10,250.00	\$ -	18FT, 3PT + 500 extra
Teacher Professional Development	\$ -	\$ (2,000.00)	
Art Fund	\$ 2,000.00	\$ 2,000.00	
Records Day	\$ 150.00	\$ -	
Golden Acorn/Other Awards	\$ 400.00	\$ -	
Staff Appreciation	\$ -	\$ -	Funded from auction '21
Testing Incentives	\$ 180.00	\$ -	
Lunch Room Fund	\$ 200.00	\$ -	
Garden & Facilities Support	\$ 500.00	\$ 500.00	
Library	\$ 1,500.00	\$ 4.42	Fully funded from 2019 book fair
Math Curriculum	\$ -	\$ (32,921.64)	
Safety Committee	\$ 200.00	\$ -	
Student Support/Emergency Funds (supplement to Right Now Right Need Fund)	\$ 200.00	\$ -	
Alumni Fund (Scholarships for kids)	\$ 1,000.00	\$ 1,000.00	Fully funded from Alumni Sock Hop Donations
Future Friends Fund	\$ 1,000.00	\$ 1,000.00	
Family Support Coordinator	\$ 2,774.00	\$ 1,454.00	
Volunteer Coordinator	\$ 6,660.00	\$ -	commitment letter
Arts & Culture	\$ 25,730.00	\$ (60.00)	
Instrumental Music for 4th graders	\$ 14,180.00	\$ 520.00	commitment letter
Multi-Arts (Artist in Residence and 2-3 Assemblies)	\$ 2,500.00	\$ -	
Visiting Musicians	\$ 5,500.00	\$ -	
Field Trip Buses	\$ 2,500.00	\$ 1,000.00	
Olympia Visit 4/5th	\$ -	\$ (1,600.00)	
Field Day	\$ 500.00	\$ 20.00	
Roots of Empathy	\$ 550.00	\$ -	
Events	\$ 8,200.00	\$ 769.13	
Spring Arts	\$ 1,450.00	\$ -	
M&S Fair	\$ 400.00	\$ -	
Game Nights and Family Partnership	\$ 1,300.00	\$ -	
Equity Team	\$ 1,500.00	\$ -	Includes amount raised from Jan bake sale
Ice Cream Social	\$ 250.00	\$ -	
Drama Scholarship Fund	\$ 1,600.00	\$ 769.13	Funded through drama donations/bake sale
IslandWood Scholarahip Support	\$ 1,500.00	\$ -	
5th grade grad	\$ 150.00	\$ 50.00	
Kindergarten Welcome	\$ 50.00	\$ (50.00)	
Total	\$ 83,205.00	\$ (25,071.00)	
	Amount Still Needed to Hit Budget Goal	\$ 16,397.58	



Budget Structure

Follow [Annual Financial Report for Charities- Form COF-85](#)

Part I- Statement of Revenue

- 1. Contributions/donations received: _____
- 2. Government Grants/Monies received: _____
- 3. Program Service Revenue received: _____
- 4. Membership Dues and Assessments received: _____
- 5. Investment Income received: _____
- 6. Fundraising/Special Events Income:
 - a. Gross revenue received from fundraising events: _____
 - b. Less Direct Expenses: _____
 - c. Net revenue received from fundraising events (= line 6a- line 6b) _____
- 7. Gaming Activities Income:
 - a. Gross revenue received from gaming activities: _____
 - b. Less Direct Expenses: _____
 - c. Net revenue received from gaming activities (= line 7a- line 7b) _____
- 8. Revenue from Sales of Inventory:
 - a. Gross revenue received from sales of inventory: _____
 - b. Less cost of goods sold: _____
 - c. Net revenue received from sales of inventory (= line 8a- line 8b): _____
- 9. Other income (provide attachment explaining): _____
- 10. Total Revenue (sum of lines 1 through 9): _____

Part II- Statement of Expenses

- 11. Program Services Expenses incurred: _____
- 12. Management and General Expenses incurred: _____
- 13. Fundraising Expenses incurred: _____
- 14. Other Expenses incurred (provide attachment explaining): _____
- 15. Total Expenses (sum of lines 11 through 14): _____

Part III- Totals

- 16. Excess (or deficit) income for the year (= line 10- line 15) _____
- 17. Net assets or fund balances at beginning of year _____
- 18. Net assets or fund balances at end of year (=line 16+ line 17) _____

Budget Formulation

- During Planning Period for New Officers - Usually Spring/Summer
- Funds Cannot Be Spent Until The Budget Is Approved
 - Recommend outgoing Board & current members adopt a preliminary budget before June 30 (the incoming Board can amend in the Fall)
- Developed By a Budget Committee (may be the Board), Chaired by Treasurer
- Consider Historic Budget Trends
- Consider Future Priorities & Plans

Budget Formulation

- **Identify Priorities, Goals, and Objectives of the PT(S)A**
 - Ensure goals/objectives are in line with the PTA mission
 - Look for alignment with the School Improvement Plan (SIP)
 - List programs, projects, and activities
- **List Operating and Organizational Items**
- **Analyze Past Activities**
 - Refer to past records and Committee Plans Of Work & Previous Year End Reports
- **Determine Expenses of Each Activity**

Budget Formulation

Estimate Revenues

Better to Underestimate

- Membership Dues
- Fundraising
- Donations
- Grants and Awards
- Company Matches
- Corporate Sponsorships
- Investments
- **Carryover Funds**

Budget Formulation

Estimate Expenses

Better to Overestimate

- Insurance (Required)
- Fundraising Expenses
- Staff Appreciation
- Grants and Awards
- Guest Speakers
- Hospitality
- Advocacy Activity
- Parent Workshops
- Volunteer Appreciation
- Promotional Items
- PTA Newsletter
- PTA Office Equipment
- Dues (National & State)
- Tech (i.e. website, email)
- Conventions & Conferences
- Bank Fees
- PTA Publications
- **Carryover Funds**

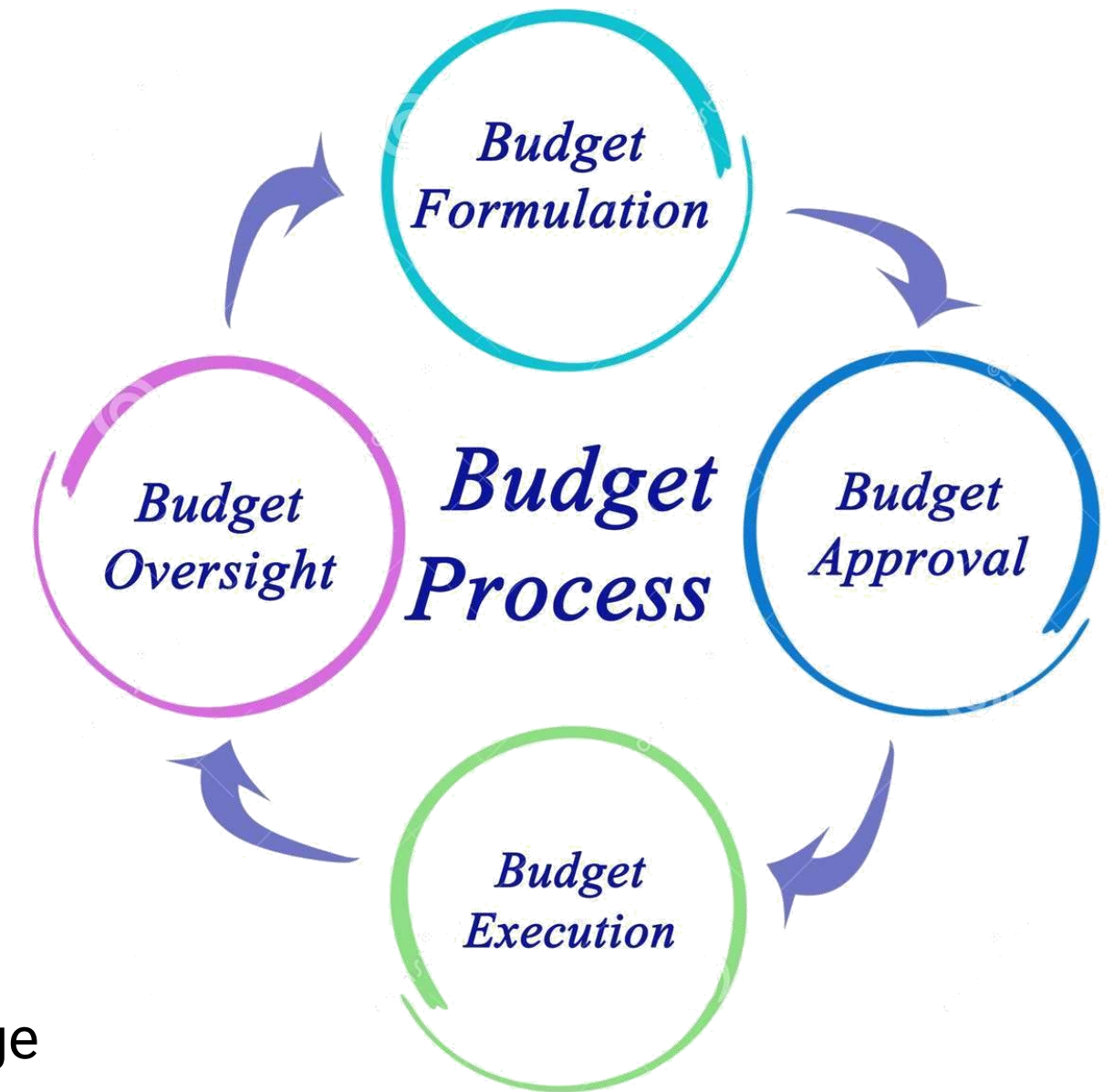
Balanced Budget

- Ensure Your Budget Balances
- Revenues & Expenses Must Equal
- To Balance, Increase Revenues or Decrease Expenditures & Use Carryover Funds/Reserves
- Balance Forward (Savings) 6-12 Months Revenue



Budget Adoption Process

- Balance The Proposed Budget
- Obtain Approvals
 - Board Of Directors reviews and approves (byline item)
 - Then present to Membership for adoption (by category or line)
- Execute & Review Frequently
- Amend As Necessary
 - Budget is only an estimate of expenses and revenues & expected to change
- Amended in the same way the original budget was approved/adopted



Cautionary Expenditures

PT(S)As Should Not Cover School Responsibilities

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

Cautionary Expenditures

PT(S)As Should Not Cover School Responsibilities

- Never just write check to the school for discretionary use.
- Gift money directly to the school rather than purchasing the gift items yourself.
- Monetary donations should utilize a grant process and gift letter. (Preferred.)
- Always use a Hold Harmless Agreement when donating property directly to any school.
- Having the principal approve grant requests to ensure that they are aware of the need(s) and that the request is not already funded in the school's budget.

Sample Financial Gifting Letter

Agreement between _____ and _____
(Parent Group) (School/School District)

The _____ is donating \$ _____ to the _____
(Parent Group) (School/School District)

for the following purpose/purchase(s) of: _____ . If this purchase is not
made by _____, this amount will be returned to the _____.
(Date) (Parent Group)

The _____ will be provided with a copy of the purchase order or requisition
(Parent Group)
and a copy of the paid invoice.

Signed _____ Date: _____
(Parent Group) President

Principal/Administrator

_____ In the case of equipment purchase, also complete the following _____

The _____ is donating money for the purchase of the following: _____
(Parent Group)

The/these item(s) will become the property of the school. It is to be used for the following purpose(s): _____

The _____ may use the item(s) under the following conditions: _____
(Parent Group)

The school will be responsible for the maintenance of the item and for providing supplies. In case of loss or theft, the school will be responsible for replacement and agrees to replace the item with a like kind. The school will hold the _____ harmless for any claim arising out of ownership of the use of the item(s).
(Parent Group)

Signed _____ Date: _____
(Parent Group) President

Principal/Administrator

**The general _____ membership must provide for any expenditure through a budget
(Parent Group)
adoption/amendment and a specific vote at a general meeting. This agreement is void if not ratified by the general membership.

All waivers, letters and agreements provided here are samples, meant to serve as a guideline, and may not reflect language specific to your use, or your state. We recommend consulting an attorney should you need to implement any contractual agreement, waiver or gifting letter.

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Sample Hold Harmless Agreement

(Name of the Parent Teacher Group)
Parent Teacher Group Address

(Name of the Parent Teacher Group)'s insurance does not cover vendors, concessionaires or service providers. Consequently, all vendors, concessionaires or service providers are required to provide Evidence of Insurance to (Name of the Parent Teacher Group) unless annual Evidence of Insurance has been filed with the (Name of the Parent Teacher Group)'s Insurance Broker.

HOLD HARMLESS AGREEMENT
For (Name of the Parent Teacher Group) Fund Raising Vendors, Concessionaires, or Service Providers.

Insurance Requirements:

(a) Workers' Compensation Insurance. Required if you have employees engaged in the performance of work under the agreement.
(b) Comprehensive General Liability, Required \$1,000,000. Combined Single Limit.
This policy shall cover, among other risks, the contractual liability assumed by vendor/concessionaire/service provider under the indemnification provision set for in the agreement, and include Bodily Injury, Property Damage, Personal Injury.
(c) Automobile Liability Insurance. Required only if you are providing transportation (e.g., limousine or bus service) at (Name of the Parent Teacher Group)'s event. \$3,000,000 Limit required.

If you (vendor/concessionaire/service provider) fall under (b) or (c), a Certificate of Insurance showing policy limits and an endorsement to the policy MUST be submitted with your contract.

Contract containing the following language MUST be added to the above policies (b) and (c) as an Additional Insured:
The (Name of the Parent Teacher Group), including all of their officers, directors, members and volunteers. The insurance afforded by this policy shall be primary insurance to any other valid and collectible insurance available to (Name of the Parent Teacher Group) and

(Name of vendor/concessionaire/service provider)

I/WE _____ (vendor/concessionaire/service provider) agree(s) to defend and to indemnify and hold harmless, at my own cost, the (Name of the Parent Teacher Group) and all of their officers, directors, members and volunteers.

NOTE: The terms and conditions of this agreement shall apply with respect to Vendor's/Concessionaire's/Service Provider's operations on the premises located at:

Date: _____ Signed: _____
(vendor/concessionaire/service provider)

Name of Entity: _____ Title: _____

Note: Failure of Vendor/Concessionaire/Service Provider to keep the required insurance policies in full force and effect during the work covered by this agreement shall constitute a breach of this agreement. In the event of a breach, (Name of the Parent Teacher Group) shall have the right but not the duty to procure insurance covering the vendor for the period of this agreement. The cost of this insurance will be deducted by the (Name of the Parent Teacher Group) from proceeds due to the Vendor/Concessionaire/Service Provider.

All waivers, letters and agreements provided here are samples, meant to serve as a guideline, and may not reflect language specific to your use, or your state. We recommend consulting an attorney should you need to implement any contractual agreement, waiver or gifting letter.

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Principles & Procedures of PT(S)A

Financial Management



**FREE STATE PTA
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AUGUST 12-14, 2021**

Principles & Procedures

The Treasurer is the Authorized Custodian of all PT(S)A Funds

See Bylaws Article VI (Section 8)- Duties of Officers

- Work with an **Approved Budget Only**
- Use **Authorized** PT(S)A Bank Accounts Only
- **TWO (2) SIGNATURES ON ALL CHECKS**
- **TWO (2) AUTHORIZATIONS/e-SIGNATURES ON ALL FINANCIAL TRANSACTIONS**

Principles & Procedures

Cash

- **NO CHECKS MADE OUT TO “CASH” OR “PETTY CASH”**
- **NO COUNTER CHECKS**
- **NO CASH PAYMENTS OR REIMBURSEMENTS**



Principles & Procedures

Handling Cash & Cash Equivalents

- Cash Equivalents
 - Cash – Deposit Immediately
 - Checks – Endorse & Deposit Immediately
 - Gift Cards
 - Track Receipts, Disbursements, & Balances (Like Checks)
 - Recipient Signs for Receipt of Gift Card
 - May be used for Staff Appreciation
 - Max \$25 Per Year Per IRS, **OR** Up To School District Limitation on Gifts



Principles & Procedures

Credit Cards

Requires:

- Tight Controls For Card and Transactions
- Two (2) approvals per Bylaws
- Statement & Receipt Review By Non-signatory & Board (same as bank statements)
- **Recommend** 2-party Authentication To Process Charges (check with your bank)



Principles & Procedures

Electronic Banking



Access:

- Signatories:
 - Separate Logins/Passwords to Online Banking
 - View, Print, Download & Distribute Statements & Account Details
 - Distribute for Review & Signature or Acknowledgement of Review/Approval (may use emails or eSignatures as confirmation)
- Non-Signatory Board Member (Must have at least one):
 - Separate **VIEW ONLY** Login/Password to Online Banking (check your bank for availability)
 - **MAY NOT** Initiate Transactions
 - View, Print, & Download Statements & Account Details
 - Reviews & Signs as Acknowledgement of Review/Approval (may use emails or eSignatures as confirmation)
- Statement & Receipt Review By Non-signatory & Board (same as physical bank statements)
- **MAY** Use Remote Deposit for Checks (check your bank for availability)

Financial Management

Receipts & Deposits

- **Always Have Two People Count Money**
 - Same two (2) people sign [Cash Verification Form](#) confirming amount.
- Issue Receipts For All Payments Received
- Endorse All Checks Immediately “For Deposit Only” or Deposit Remotely
 - Order a Stamp: “For Deposit Only To Account ###”
- Deposited All Monies Daily
 - Ask Bank About Night Deposit Bags
 - **MAY** Use Remote Deposit for Checks

Cash Counting Sheet for Events

Name of Local PTA: _____
 Event Name: _____
 Event Date: _____

Initial Count

	Quantity	Total Cash
100's		
50's		
20's		
10's		
5's		
1's		
Quarters		
Dimes		
Nickels		
Pennies		

Total Cash _____

Less Float Cash _____ (This is the cash needed to begin the next day's event - only to be used for multiple day events)

New Total _____

Drop **New Total** amount in Deposit Bag using the largest bills/coins possible. Continue to next section.
 Re-count **Float Cash** and add total below.

	Quantity	Total Cash
50's		
20's		
10's		
5's		
1's		
Quarters		
Dimes		
Nickels		
Pennies		

Total Float Cash _____

* If this amount does not equal your Float Total from the first count, get a new sheet and start over.

Signature of Treasurer _____ Date _____

Signature of Witness _____ Date _____

Financial Management

Receipts & Deposits

- All Deposits
 - Record In The PT(S)A Ledger & Check Register Promptly (keep all deposit slips)
- **NEVER** Place PT(S)A Funds In A School Safe
- Money Is **NEVER** Deposited in
 - Personal
 - School Bank Accounts
- **Never** Keep At Any Member's Home

Financial Management

Receipts & Deposits

- **NEVER** Pay Bills/Reimbursements In Cash
- **All Authorized Bills/Reimbursements Are Paid By Check, Credit Card or eCheck**
- Treasurer Should Receive Disbursement Form With Original Receipt/Invoice Before Reimbursement Is Issued
- All Disbursements Should Be Promptly Recorded in PT(S)A Account Books/Software and Check Register
- PT(S)As are not a pass-thru for the school.
 - For example: the school cannot give money to the PT(S)A and then ask PT(S)A to write a check to a vendor on their behalf.

Financial Management

Receipts & Deposits

- Checks Must be Signed by **Two(2) Authorized** Signers
 - Treasurer
 - President or Another Officer (The Third Signatory)
- All Disbursements Require Two (2) Approvals

**Authorized Signers Should Not Be Related
Or
Live In The Same Household**

Financial Management

Bookkeeping

Track Receipts and Disbursements by Accounts

- Operational
- Organizational
- PT(S)A Objectives (Program Services)
- Fundraising
- Membership

Financial Management

Bookkeeping

- **Reconciliation of Accounts**
- Bank Statements
 - Reconcile Immediately Upon Issuance By Your Bank
- Record in the PT(S)A Ledger and Check Register
 - Any Interest Earned or
 - Bank Service and Credit Card Processing Charges
- Bank Statements
 - Mailed only to the address on file with the IRS
 - PT(S)A President should review, sign and date
 - Treasurer should sign and date
 - Non-signer should sign and date
 - **May use electronic statements & acknowledgement of review/approval**

Financial Management

Bookkeeping Options

- Software/System Should Be:
 - Simple
 - Consistent
 - Accurate
 - Reliable
 - Easily Understood
 - Easily Transferable
- If you can, budget for financial software
 - QuickBooks/Money Minder, etc.
- If not, Excel and a binder
- Use Google drive or OneDrive to save documents/statements etc.
- www.techsoup.org for free or discounted accounting programs

Principles & Procedures

Reporting

Report at Regular Intervals (Monthly Treasurer's Reports)

Written Report Should Include:

- Period Covered
- Balance on Hand at Beginning of Period (must match prior period end balance)
- Itemized Detail of Income Received and Credited to the Accounts with Subtotals
- Itemized Detail of Expenses Disbursed by Accounts with Subtotals
- Balance on Hand at End of Period
- Comparison of Actual to Budgeted Amounts

ALL BOARD MEMBERS

have a

Fiduciary Responsibility

to ensure that the PT(S)A is maintaining
proper financial controls.

Principles & Procedures of PT(S)A

Merchant Services

PayPal, Square, etc.



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Principles and Procedures

Merchant Services

The PT(S)A membership must approve the use of an online payment collection system, i.e. PayPal/Square

- PayPal/Square accounts and devices must be in the PT(S)A's name.
- PayPal/Square account must be linked to **Authorized PT(S)A bank account.**
- All funds must be deposited into an **Authorized PT(S)A bank account.**
- The device must be the property of the PT(S)A.

Principles and Procedures

Merchant Services

Document on the Cash Verification form, the amount of the deposit and the corresponding budget line.

Attach a copy of the online PayPal/Square statement.

PayPal/Square statements and reconciliations should be signed by the president, treasurer and a non-signer.

The same internal control procedures apply as with a bank deposit.

Treat all transactions as cash. Follow same financial procedures.

Principles and Procedures

Merchant Services

Two (2) Officers (signatories on bank account) should have access to the account, and one (1) non-signatory should have access to **view** the account.

All revenue & fees must be accounted for and reported on in the monthly Treasurer's report in the budgeted income category.

PayPal/Square statements should be printed and reconciled monthly. Weekly during a busy collection period.

Contribution

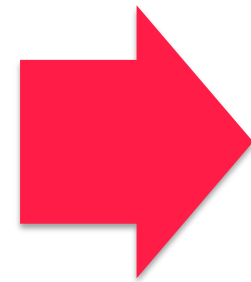
Acknowledgements



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Contributions

Most Donations
to PT(S)As are Tax
Deductible



Generally,
under the Internal Revenue Code for nonprofit
charitable donations, if the **donor does not receive
something of value in return** for the contribution,
then the contribution is
tax-deductible.

Contributions

Quid Pro Quo

Contributions over \$75.00 **with** goods or services returned to donor require acknowledgement of allowable charitable contribution.

Ticket costs \$100 for a dinner with a \$50 value, requires an acknowledgement.

Contributions over \$250.00 **with no** goods or services received require written acknowledgement.

Acknowledgment:

PT(S)A name, Donation Amount, Date, Statement regarding goods and services, Good Faith estimate if goods and services were given in return.

Contributions

Token Exception:

- Insubstantial goods provided by a charitable organization (PT(S)A) in exchange for contributions do not require an acknowledgment if:
 - Fair Market Value less than 2% of the of the donor's payment or **\$115.00** whichever is less.
 - »Ex: A book given in return for donation cost PT(S)A less than **\$11.30**
 - Donor payment is at least **\$56.50** and the only benefits received are token items such as mugs, calendars, etc., bearing the organization's name or logo.

Documentation for Charitable Contributions

	Up to \$75	Over \$75 & up to \$250	Over \$250 & up to \$500	Over \$500 & up to \$5,000	Over \$5,000
Canceled check acceptable for donor's deduction	YES	YES	YES	YES	YES
Contribution or receipt required for deduction	YES	YES	YES	YES	YES
Form 8283 required	NO	NO	NO	YES	YES
Independent qualified appraisal and appraiser's signature on Form 8283 required	NO	NO	NO	NO	YES
Non-deductible portion must be identified on ticket or solicitation	NO	YES	YES	YES	YES

Annual Financial Review



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Purpose of Financial Review

- **To Certify** the accuracy of the books and records.
- **To Assure** the membership that assets are being managed in a responsible way.
- **To Verify** that the Executive Board has fulfilled its ***Fiduciary Responsibilities of Care, Loyalty and Obedience***.
- **To Satisfy** federal, state and bylaw requirements in order to protect the PT(S)A's 501(c)(3) status.

Financial Review vs AUDIT

- There is a difference between an Audit and a Financial Review.
 - Audit is an extensive **external** process performed by a 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.
- The PT(S)A only needs to conduct **one (1)** of these options.

Financial Review Process

An Annual Bank Reconciliation

- Determine the Fiscal Year (July 1st - June 30th)
- Establish the Period the Financial Review Will Cover
 - If the review is for the current year or a previous year
- Review Receipts/Income
- Review Disbursements/Expenditures
- Summary Actions
- Budget & Financial Reports
- Meeting Minutes

Financial Review Process

Summary Action

Verify the starting balance for the fiscal year from previous review.

Verify outstanding checks have been cashed for the amount reported in the previous financial review report.

Review Treasurer's reports.

Financial Review Process

Summary Action

Verify that the ending book balance matches the reconciled ending bank balance.

Notate any checks outstanding/uncashed that are included in the financial review summary totals.

Verify the approved budget and any subsequent budget amendments.

Financial Review Committee Report

If all is in order, the financial review committee should sign a statement indicating that the records are correct.

A report must also be submitted in the event there are inadequate records available to conduct a proper financial review.

Comments should be provided at the end of the review report noting any items that should be brought to the PT(S)A's attention.

Financial Review Committee Report

The Financial Review Report and the Final Treasurer's Annual Report (treasurer's final budget report) must be officially adopted by the association membership.

If the validity of the financial review report is questioned, contact Free State PTA.

Send your adopted final financial review/audit form, the annual financial report (treasurer's final report), and meeting minutes indicating adoption by the membership to Free State PTA by 10/31.

Insurance Loss/Crime Prevention



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Insurance Broker Contact



- Website: <https://aim-companies.com/pta-coverage/>
- Email: info@aim-companies.com
- Telephone (800) 876-4044
- Association Insurance Management, Inc.
PO Box 674051
Dallas, TX 75267-4051



Need to submit a claim?
[Complete a Claim Form](#)

PTA Insurance Coverage Crime

- Bonding Insurance: \$25,000 Fidelity Bond
 - Employee/Volunteer Theft
 - Forgery and Theft
 - Disappearance and Destruction of money
 - There is a \$250 deductible

Failure to follow proper loss controls, as outlined by the PT(S)A, could cause a significant increase in insurance premiums and/or denial of your claim.

PT(S)A Best Practices Include...

- **DO NOT** have a spouses, relatives or anyone living in the same household as signors on the PT(S)A bank account at the same school.
 - This is a clear conflict and should never happen.
- Always have multiple people review finances
- Always use dual signatures/authorizations
- Conduct financial review at least annually

Thank you!

**Your time and dedication in the
service of PT(S)A is greatly
appreciated.**

Insurance Loss/Crime Prevention



**FREE STATE PTA
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AUGUST 12-14, 2021**

Insurance Broker Contact



- Website: <https://aim-companies.com/pta-coverage/>
- Email: info@aim-companies.com
- Telephone (800) 876-4044
- Association Insurance Management, Inc.
PO Box 674051
Dallas, TX 75267-4051



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Reporting a Crime Claim

- **When Money Appears to Be Missing**

- Starting Point – everyone is innocent
- Get the Facts – it's normal to ask questions
- If facts are elusive, request an audit
 - It is the right of the unit
- All in a normal course of business

- **If Theft is Suspected Avoid:**

- Defamation – Communication of a false statement about someone that embarrasses or shames them.
- Libel – A published (written) defamation
- Slander – A stated (spoken) defamation

Reporting a Crime Claim

Procedures for Handling Suspected Theft

- File insurance claim – **Within 60 Days**
- Local President calls special board meeting, excluding the suspect(s).
- Invite council and/or Council President to attend. Only involve those necessary.
- Minutes: record all board action items.
- Remind the board about confidentiality.

Reporting a Crime Claim

- Review the audit and all pertinent facts
- **Report incident to AIM Insurance.** There is a time limit to report the claim.
- If money is missing and theft is suspected, notify the police and file a report:
 - Authorize someone to file the report
 - Record actions in Minutes

Reporting a Crime Claim

- **Presentation of information to the police**
 - There may be only one opportunity to report the incident
 - Research how to prepare for a police report
 - Present pertinent information only and stick to the facts
- **Maintain confidentiality; avoid defamation**

Reporting a Crime Claim

Should PTA accept preemptive restitution from the suspect?

- Prosecution is a viable deterrent
- Police Report is a condition of filing an insurance claim
- The Board's fiduciary responsibility
 - Duty of Loyalty

PT(S)A Insurance Coverage

- **Police/Incident Report**
 - Obtain 4 copies
 1. To AIM Insurance
 2. To Free State PTA
 3. To Council President
 4. Retain a copy

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- Always use dual signatures/authorizations
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Forms!



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Charitable Solicitation Act

MD COF-85

- A Charitable Organization is required to register with the Secretary of State before they can hold fundraisers, membership drives, or solicit contributions in any way in Maryland.
- Required To Register With Office of Secretary of State if gross income is \$25,000 or more
- If less than \$25,000-Required to file Exempt Organization Fund-Raising Notice
- Required To Report Annually
 - [Exempt Organization Fund-Raising Notice](#)
 - Annual Update of Registration
- Graduated Annual Fee Determined By Receipts

Charitable Solicitation Act

MD COF-85

New Registration Requirement

- Original Registration
- Notarized Registration Statement COR-92 (initial registration)
- Current Copy of Articles of Incorporation or Bylaws
- IRS Determination Letter
- Signed copy of 990 or 990EZ

Annual Update of Registration

- [Maryland State Form COF-85](#)
(OR [Exempt Organization Fund-Raising Notice](#))
- Names and Addresses of Board of Directors
- All contracts with professional fundraisers
- Annual Fee

Charitable Solicitation Act

MD COF-85

Annual Registration Fee

- At least \$25,000 but less than \$50,001 - \$50
- At least \$50,001 but less than \$75,001 - \$75
- At least \$75,001 but less than \$100,001 - \$100
- At least \$100,001 but less than \$500,001 - \$200
- \$500,001 and above - \$300

Incorporation

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

Annual Report/Personal Property Return

- Required Of All Incorporated PT(S)As in Maryland
- File at <https://egov.maryland.gov/businessexpress>
- File by April 15th
- Late Penalties Apply (\$25.00 per month)
- Failure To File Results In Loss of Incorporation Charter
- Provides Annual Report of Corporate Officers, Directors and Related Information
- Provides Report of Business Personal Property with Depreciation
- Provides Annual Sales for the Calendar Year

Insurance

All PT(S)A's Must Carry Insurance Through The State Mandated Program

- General Liability
- Bonding
- Officers and Directors Insurance
- PT(S)As should attempt to:
 - Eliminate exposure to risk
 - Reduce the exposure to risk
 - Transfer the exposure to risk

Advertising

The Sale of Advertising In A Periodical Containing Editorial Material of An Exempt Organization Is Unrelated Business Income. Per IRS

National PTA Acceptable – If In Accordance With Postal Regulations (<10% of total space devoted to ads)

Does Not Jeopardize PT(S)A Objectives and Nonprofit Status

IRS Forms 990/990-EZ/990-N

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

IRS Forms 990/990-EZ/990-N

Filed By The 15th Day Of The 5th Month After The End Of The Fiscal Year (Nov. 15th)

Fines For Late Filing (\$20 per day)

Loss of Tax Exempt Status If Failure To File For Three (3) Consecutive Years

Public Inspection Requirement (Fine: \$20 per day)

Failure to Respond (Fine: \$10 per day)

IRS Form 990-EZ

- 990-EZ Return of Organization Exempt from Income Tax
 - Income Statement/Balance Sheet
 - Statement of Program Service Accomplishments
 - List of Officers and Directors for Year of Report
 - Copy of Significantly Changed Bylaws
 - Required Schedule A – Organizations Exempt Under 501c3 and Schedule O – Supplemental Information
 - Possible filing of Schedules B, C or G

IRS Form 990-N

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

IRS Form 1099

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

PT(S)As ARE NOT...

PT(S)As ARE NOT automatically exempt from State Sales and Use Tax

- PT(S)A must apply separately for SUT exemption.
- Sales and Use Tax Exemption Certificate Application (SUTEC)
 - http://forms.marylandtaxes.gov/current_forms/SUTEC.pdf
- PT(S)A must be in **GOOD STANDING!**

Sales and Use Tax

- Non-Profits are No Longer Required to Collect or Remit Maryland Sales Tax on fundraisers
 - Effective July 1, 2013, the sales and use tax does not apply to a sale by parent-teacher organizations or other organizations within an elementary or secondary school in the State or within a school system in the State.
- Blanket Certificate of Resale - A resale certificate is a written statement that you provide stating that the merchandise or taxable service you buy will be resold in a taxable sale or that it will be incorporated into tangible personal property or used in a service that will be taxed when it is sold.

Sales and 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.
- 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 should not be confused with a resale certificate. Resale certificates are used primarily by manufacturers, wholesalers and retailers to purchase, free of tax, the items they sell.

Unrelated Business Income

- Will Require PT(S)A To Pay Income Tax If IRS Determines That:
 - Income is from a business
 - It is carried on regularly
 - And it is unrelated to the mission & purpose
 - Form 990T – Income over \$1,000

Examples: Unrelated Business Income

- Example #1 – A community performing arts organization charges admission to its quarterly productions. The stated purpose of the organization is to promote the performing arts to the community and to teach performance art to the participants. The organization conducts quarterly plays and recitals for the public, charging \$10 per attendee. The activity is considered a regularly scheduled, on-going activity. It is also directly related to the purpose of the organization. Therefore, the revenue generated from ticket sales is NOT considered UBI.
- Example #2 – A church owns a vacant, corner lot next door to its facility. After studying traffic patterns and demographics, the leadership determines this to be a great location for a convenience store and gas station. It then proceeds to build one and open for business. The store provides a much needed cash infusion to supplement the various charitable programs the church conducts. This activity is considered a regularly scheduled, on-going activity. It is NOT directly related to the purpose of the church and IS considered UBI.

Unrelated Business Income

- Could Lose Non-Profit Status
- Remember The 3 to 1 Guidance
 - For each fundraiser, you would have 3 non-fundraising events
- Exceptions
 - Activities are conducted only once per year
 - At least 85% of the work of the activities is conducted by volunteers
 - Activity consists of selling donated items