

# 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>					

# Disbursements (Expenses)

## Financial Review Documentation Form/Checks Written

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

Check #	Amount (a)	Check #	Amount (b)	Check #	Amount (c)	Check #	Amount (d)
	<b>Total Column (a)</b>		<b>Total Column (b)</b>		<b>Total Column (c)</b>		<b>Total Column (d)</b>
<b>Total All Columns (a+b+c+d)</b>							
<b>Total # of checks written</b>				<b>Total \$ amount of all checks written</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