

FINANCE

The PTA treasurer is entrusted with the money raised by the members for the PTA to use as approved by the membership through the PTA budget. In many units, thousands of dollars move through the PTA account. For the protection of both the local PTA unit and the treasurer, it is very important funds be handled in a manner that allows every dollar to be traced. If procedures described in this section are followed, there should not be any problems. Some recommended procedures, such as requiring two signatures on checks and requiring money to be counted by two persons, may be cumbersome, but the effort is well spent. The PTA president should make every effort to review PTA financial records monthly, possibly in a meeting with the treasurer prior to every executive committee meeting, in order to assure the general membership funds are being handled responsibly. Since the position of treasurer carries so much responsibility, it is helpful if there are two persons who can always attest to the accuracy of the records.

This section covers the general job description and basic information on getting started. The treasurer should have copies of and be familiar with the following reference materials:

- ✂ *Money Matters*, a section of National PTA *Annual Resources for PTAs*
- ✂ *Cash Encounters*, published by Maryland PTA
- ✂ Finance Section of this Handbook
- ✂ Local Unit Bylaws

Cash Encounters will be the most comprehensive source of information; however, if there are questions, do not hesitate to contact the state office.

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 should be bonded.
- ✂ All funds are to be administered by the treasurer.
- ✂ **Never - Never - Never** sign a blank check.
- ✂ Pay **All** bills by check - cash is **Never** used. All checks must have two (2) signatures, the treasurer and one (1) other officer.
- ✂ All funds are to be deposited into authorized PTA bank accounts - **No Exceptions**.
- ✂ PTA funds must be kept separate from school funds or personal funds.
- ✂ Always issue a receipt for monies received.
- ✂ Two people should **Always** count money, and both should sign the receipt verifying the amount. Sample form can be found in the Forms Section of this Handbook.
- ✂ Assure current, complete, and accurate record keeping of all funds.
- ✂ An audit of financial records is conducted annually by an auditor or auditing committee. Sample form can be found in the Forms Section of this Handbook.

An audit of financial records is conducted in the event a treasurer leaves office prior to the annual audit.

PTA Business Procedures

All local PTA monies and other assets, including checking accounts, savings accounts, and certificates of deposit, are the properties of the PTA unit. Treasurers who have custody of funds shall maintain complete records of their receipts and disbursement. PTAs involved in various activities must recognize the responsibilities of the officers and members in conducting the affairs of the organization.

DISBURSING FUNDS

When the PTA incurs an approved budgeted financial obligation, it is the responsibility of the treasurer to pay the obligation. All obligations and/or liabilities should be paid **BY CHECK. NEVER USE CASH.**

The current Maryland PTA local unit bylaws format indicates that checks or vouchers shall be signed by two persons, the treasurer and one other officer. Bank signature cards will allow several signatures for the authorized signers. A disbursement form should be used to enhance the record keeping process, classify the receipts, and obtain the confirmation of the chairman, or officer responsible for the expenditure. See Forms Section of this Handbook. **As part of the required record keeping, a proper RECEIPT or invoice MUST be retained in the PTA's records. This will provide proof that the disbursement of funds was proper and legitimate.**

DEPOSITING FUNDS

A primary duty of the treasurer is the timely depositing of PTA funds into the PTA's bank account, and the proper and accurate recording of that deposit in the PTA's books. All funds should be promptly deposited into a bank account in the name of the PTA, which has been approved by the PTA's executive committee. Night deposits and 24-hour banking can and should be used as needed. PTA funds must **NEVER** be deposited into the personal accounts of the treasurer (or anyone else), nor should the funds ever be deposited into a school bank account or the bank account of another organization. **PTA funds should NEVER be placed in a school building safe.** All checks that are deposited should be endorsed: For Deposit Only

_____ PTA
Account No. _____

The bank may furnish a stamp with this information or one may be purchased. Duplicate deposit slips should be made so that the treasurer will have a copy to retain for the record. If the PTA is planning a fund raising activity that will involve large sums of money, the treasurer should arrange to deposit the money in the bank as soon as possible. The Treasurer should coordinate with the chairman of the activity to obtain the funds from the activity immediately after the conclusion of the activity. All exchanges of money should be counted by at least two people with both signing a receipt verifying the amount. If the project is a continuing one, the money should be deposited daily in the PTA's bank account. Arrangements can be made beforehand for a police escort to the bank, if large amounts of money are anticipated from a fund raiser.

Contents of the Treasurer's File

- ✍ A copy of the PTA unit or council bylaws and standing rules with appropriate sections marked.
- ✍ A copy of the budget adopted by the membership.
- ✍ Receipt book to acknowledge money received by the treasurer.
- ✍ Checkbook to disburse funds as authorized.
- ✍ Treasurer's account books, ledgers, and/or computer software to keep the financial records of the association.
- ✍ Federal Employer Identification Number (EIN) and the Maryland IRS Group Exemption number 1999; copies of filed Form 990,990EZ, and other required IRS forms.
- ✍ A copy of the Articles of Incorporation.
- ✍ Maryland Sales and Use Tax remittance number, reports filed with the state, and all information pertaining to sales and use tax.
- ✍ A copy of *Money Matters* from the National PTA *Annual Resources for PTAs* and Maryland PTA's *Cash Encounters* .
- ✍ Required historical PTA financial records as defined in the Record Retention Timetable.
- ✍ A copy of all insurance policies, contracts, leases. and approved plans of work
- ✍ A copy of Personal Property Return forms, if incorporated.

Employer Identification Number (EIN)

Every PTA must have an EIN (a nine-digit number) from the IRS. Prior to 1970, EINs beginning with 23 were assigned to existing PTAs. Their EINs are still valid today. Newer EINs begin with 52 or 91. EINs are required for filing tax forms. The EIN number should be part of the permanent records of the PTA. They are used for establishing bank accounts and are required for filing tax forms.

Budget

The budget is a plan that expresses the goals and objectives (the programs, projects, and activities) of the PTA in terms of income and expenses. After development of the budget by the budget committee and approval of the executive committee, the general membership must adopt the proposed budget. This approval authorizes expenditure of funds within the limits established by the budget. For additional information regarding record keeping and for information on amending the budget refer to *Cash Encounters*.

Obligation of Future Boards

As a 501 (c)(3) organization, a PTA cannot obligate future boards to a contract or particular expenditure. A future board is not obligated to spend funds as designated by a previous board A board may designate part of its carry over, but the next board is not obligated to use it for that designated purpose.

Insurance

It is in the best interest of the PTA to obtain insurance coverage to protect the members, general public, and the assets of the PTA. The most common types of insurance are the Liability Insurance and Bonding Insurance. For more information see *Cash Encounters*.

Tax Requirements

Federal and State Income Taxes

As a 501 (c)(3) organization local PTAs may solicit funds and spend funds without paying income tax to the federal or state governments as long as they comply with rules governing nonprofit organizations and all income is directly related to the objects of the organization. However, if **gross** receipts are normally \$25,000 or more, PTAs must file FORM 990EZ (Form 990 if gross receipts are over \$100,000) and Schedule A with either form. Also, Schedule B may possibly have to be filed with either form. Normally \$25,000 is defined as a three-year average of \$25,000, so it is possible the first year \$25,000 is attained you may not have to file. The forms must be filed by the 15th day of the 5th month after the close of the PTAs fiscal year. Late or incomplete filing of the forms will result in fines of \$20 per day, not to exceed \$10,000 or 5% of the PTA's gross receipts. Completed sample forms can be found in *Money Matters*, National PTA *Annual Resources for PTAs*.

Sales and Use Tax

PTAs in Maryland must collect and remit sales tax to the Revenue Administration of Maryland. PTAs are not exempt from sales tax except in some very limited instances that are defined in *Cash Encounters*.

Incorporation

The status of incorporation has advantages and disadvantages. The most significant feature of a corporation is its ability to shield from liability. It should be noted that it would NOT prevent a liable action. (The Maryland PTA encourages local units to incorporate the association). Corporate status requires that a 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 just as your personal income tax. There are late filing penalties of from \$30 to \$500 plus interest. Since PTAs would be a Domestic Non-Stock Corporation, the ID# Prefix will be D. The Federal Principal Business Code is 8300.

Councils or local units desiring to incorporate may obtain the "Articles of Incorporation" package from the Maryland PTA office. When completed, send a check made payable to the "Maryland State Department of Assessments and Taxation" in the amount of \$40.00, to the Maryland PTA office. Maryland PTA will then submit the application to the Maryland State Department of Assessments and Taxation for you. A short time thereafter, the Maryland State Department of Assessments and Taxation will forward, directly to your PTA, a copy of your articles of incorporation. For more information see *Cash Encounters* .

Charitable Solicitations

A charitable organization that solicits charitable contributions in Maryland must register with the Secretary of State. A PTA that raised more than \$25,000 per year is required to complete the full registration and pay the appropriate annual fee.

Proper Use of PTA Funds

There is a section in *Cash Encounters* that addresses the things PTA funds should be spent for and things PTA funds should not be spent for. This listing has been reviewed by the National PTA Executive Committee and their attorneys.

PTA Audit

An audit involves an examination of financial transactions and the procedures used to conduct those transactions. Its purpose is to assure both the membership and the executive committee that the funds of the PTA have been properly administered and that good financial practices have been followed. The books and records should be audited annually or at any time there is a change in the position of treasurer or any other officer with signature authority.

Missing Funds

All persons handling funds and all persons signing the PTA checks are liable for the use or misuse of the funds of the PTA. Responsible fiscal management is a must in any organization.

Whenever a PTA thinks (or is certain) that there is a problem with its funds, there are some very important, basic steps that must be taken.

Suspected mismanagement of funds should be handled in a tactful manner. You are encouraged to be sensitive to protect the person's reputation by being discreet in what is said. It is NOT, however, responsible to disregard the incident.

The local PTA unit has the responsibility to be accountable to its membership for all monies.

- ✍ The first and most important step is to audit the financial books and records of the association.
- ✍ The audit committee reports its findings to the executive committee.
- ✍ The executive committee receives the report of the audit committee and has the obligation to act upon the report. This is often a very difficult step because it may involve an accusation against a PTA member. If funds are missing, the executive committee must take every reasonable step to collect or recover the missing funds.
- ✍ Every action taken by the board must be done at a properly called meeting of the executive committee and all the actions must be recorded in the minutes of the meeting.
- ✍ The persons involved should have a private hearing with the executive committee of the PTA and have an opportunity to explain what has happened.
- ✍ The local unit should contact the Council and/or State president for assistance in resolving the situation.

It may be necessary to consult legal counsel and/or the bonding company at this point. Some situations can be handled through Small Claims Court; some may require other legal action.

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.