

CASH ENCOUNTERS

GUIDE FOR MONEY MANAGEMENT

2016-2017



everychild.one voice.

Maryland PTA, Inc.
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August 2016

FOREWORD

This document was prepared for use by all PTA leaders. It was initially created in response to the numerous requests for detailed information and assistance that Maryland PTA has received from local PTA treasurers over the years. In writing this document, great efforts were made to:

1. Provide as many details as possible;
2. Cover as many topics as possible based on the most frequently asked questions received over the years;
3. Place emphasis on critical issues; and
4. Tell you where to find the answer to your question

It is hoped that this document will prove to be of benefit to you. Remember, there is always a seasoned PTA leader waiting at the other end of your telephone to assist you in doing the right thing for yourself and your local PTA unit. For additional information, contact the Maryland PTA office by calling 410-760-6221 or 1-800-707-7972.

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This manual is available on the Maryland PTA website at www.mdpta.org in the Forms section.

This edition supersedes all previous editions of Cash Encounters.

August 2016

Our Mission

The mission of the PTA is threefold:

- *A powerful voice for all children.*
- *A relevant resource for families and communities, and*
- *A strong advocate for the education and well being of every child.*

Our Purpose

- *To promote the welfare of children and youth in home, school, community and place of worship.*
- *To raise the standards of home life.*
- *To secure adequate laws for the care and protection of children and youth.*
- *To bring into closer relation the home and the school, that parents and teachers may cooperate intelligently in the education of children and youth.*
- *To develop between educators and the general public such united efforts as will secure for all children and youth the highest advantages in physical, mental, social and spiritual education.*

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INTRODUCTION

This booklet has been developed to provide PTA leaders with very important information regarding the fiscal operation of the association.

BOARD OF DIRECTORS/EXECUTIVE COMMITTEE

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, financially, and legally sound manner.

When an individual becomes a board member, either through election or appointment, that person becomes 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.

This is known as a FIDUCIARY RESPONSIBILITY.

If a member of a board fails to exercise reasonable caution and care, that person is left 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.

The treasurer is the legally responsible, authorized custodian, elected by the members, to have charge of the funds of the PTA. **While the treasurer is assigned the duty of being the custodian of the funds of the association and accounting for these funds, all of the officers and chairmen have a fiduciary responsibility to ensure that the PTA is maintaining proper financial records, depositing money in a timely manner, adhering to the budget and complying with all legal and reporting functions.** Adhering to the policies and guidelines established by National PTA, Maryland PTA, the state of Maryland and the IRS will help to reduce or eliminate questions about the management of the PTA and its monies.

Significant Changes

The Certification Form is no longer required to be included in the material provided to the Secretary of State for the Maryland Charitable Solicitations Act. In fact, most forms have been revised and detailed instructions have been produced for each. (See the Forms & Instructions Booklet.)

Personal Property Returns can now be filed electronically if you register. Instructions have been created by Maryland PTA. (See the Forms & Instructions booklet.) If you did not make a declaration on the 2016 form, you will not be receiving a mailed copy of the 2017 Personal Property Return. You can still access the form online and mail it in.

THE PTA TREASURER

DUTIES OF THE TREASURER

As an elected officer, the treasurer is a representative of the entire PTA, serves on the Board of Directors/Executive Committee of the association, 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 National PTA and Maryland PTA documents relating to dues and finance.
- Attend all meetings and serve as an active participant on the Board of Directors/Executive Committee.
- Attend mandatory financial training workshops for treasurers at council, state, and/or national levels.
- Maintain an accurate and detailed account of all monies received or paid out.
- Submit written reports at all regular meetings of the association and the Board of Directors/Executive Committee and have financial records available so that questions can be promptly answered.
- Chair the budget committee assisting in the formation of the local unit's budget for the fiscal year. Fully understand the elements of the budget so as to be able to explain any line item to the General Membership.
- Receive and promptly deposit all PTA funds ONLY into the PTA's bank account.
- Pay, **BY CHECK ONLY**, all financial obligations of the PTA as authorized by the budget.
- **Forward the state and national portions of the membership dues to the Maryland PTA using the "Maryland PTA Membership Dues Statement" by the first of each month, with the initial payment no later than October 1. (See Appendix for a sample of this statement)**
- Cooperate with the membership chairman and fund raising chairman to coordinate safe handling of all funds.
- Preserve all vouchers, receipts, bank statements, canceled checks and other records and submit to the auditor or financial review committee, the Board of Directors/Executive Committee, or membership when requested.
- 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 conclusion of your term of 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 must be bonded.
- All funds are to be administered by the treasurer.
- **NEVER** sign a blank check.
- Pay **ALL** bills by check - cash is **NEVER** used.
- **NO DEBIT CARDS or COUNTERCHECKS are to be issued. NO ON-LINE BANKING** – Currently, local unit bylaws, Article VII, p. 5, states “This local PTA/PTSA shall have checks and vouchers signed by 2 persons, the treasurer and one other officer”. Because of this bylaw, on-line banking is prohibited at this time.
- 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 and should **NEVER** be placed in a school building safe.
- Always issue a receipt for monies received.
- Two people should **ALWAYS** count money, and both should sign and retain a copy of the receipt verifying the amount.
- Assure current, complete, and accurate record keeping of all funds.
- An auditor or financial review committee conducts a review of financial records annually.
- A review of the financial records is conducted in the event a treasurer or other signature holder leaves office prior to the annual financial review.
- Use the address of record as recognized by IRS.

TREASURER: TAKING OFFICE

- Know the PTA Mission and PTA Purposes. Be familiar with the policies and guidelines of PTA.
- Verify that the books have been or are in the process of being reviewed before accepting them. Meet with the auditor or financial review committee to review any recommendations they may have made.
- Obtain and review the retiring treasurer’s complete files and records. Notify the Board of Directors/Executive Committee of any records that are not available.
- Review your local unit bylaws, standing rules, and the National PTA publication “Money Matters” to become familiar with the required duties.
- Check on bonding and liability insurance, incorporation status, and related procedures for the unit.

TREASURER: RELINQUISHING OFFICE

- Be sure that all **state and national dues** have been collected and forwarded to the Maryland PTA office.
- Ensure all remaining membership cards are returned to the state office by June 30.
- Gather the books, etc. in preparation for the financial review.
- Prepare the Annual Financial Report.
- Submit or assist in the preparation of required tax forms, both state and federal.
- 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 in a timely manner.
- Assist the incoming treasurer in the transition into the position.
- Submit the Annual Financial Review to Maryland PTA, within 120 days of the close of the fiscal year (Oct. 31).

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 disbursements. PTAs involved in various activities must recognize the responsibilities of the officers and members in conducting the affairs of the association.

DISBURSING FUNDS

WHEN THE PTA INCURS AN APPROVED BUDGETED FINANCIAL OBLIGATION, IT IS THE RESPONSIBILITY OF THE TREASURER TO PAY THAT OBLIGATION. ALL OBLIGATIONS AND/OR LIABILITIES SHOULD BE PAID BY CHECK. NEVER USE CASH.

THE CURRENT MARYLAND PTA LOCAL UNIT BYLAWS REQUIRE THAT TWO PERSONS, THE TREASURER AND ONE OTHER OFFICER SHALL SIGN CHECKS OR VOUCHERS. BANK SIGNATURE CARDS WILL ALLOW SEVERAL SIGNATURES AS AUTHORIZED SIGNERS.

A disbursement form (an example is provided in the bookkeeping section) 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.

As part of the required record keeping, AN ORIGINAL 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. A cash verification form (an example is provided in the bookkeeping section) should be used to enhance the record keeping process. All funds should be promptly deposited into a bank account in the name of the PTA, which has been approved by the PTA's Board of Directors. Night deposits can and should be used as needed. PTA funds must **NEVER** be deposited into anyone's personal account nor should the funds ever be deposited into a school bank account or the bank account of another organization.

DEPOSITING FUNDS (Continued)

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 (including the provider and the recipient of the funds) 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 fundraiser.

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 (FEIN) and the Maryland IRS Group Exemption number 1999; copies of filed Form 990, 990EZ, 990-N and other required IRS forms.
- A copy of the Articles of Incorporation.
- A copy of Personal Property Return forms.
- A copy of the National PTA publications Money Matters and Maryland PTA's *Cash Encounters* booklet.
- 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 the Charitable Solicitation Registration if necessary or any other paperwork filed with the Secretary of State.

FEDERAL EMPLOYER IDENTIFICATION NUMBER (FEIN or EIN)

Every PTA must have a FEIN (a nine-digit number) from the IRS. The FEIN number should be part of the permanent records of the PTA. The FEIN is used for establishing bank accounts and is required for filing tax forms. If you do not know your FEIN, call the Maryland PTA office at 410-760-6122 or 1-800-707-7972. These numbers are kept in the permanent files in the state office. The letter of determination (exemption letter) for all Maryland PTAs is also on file in the state PTA office.

FINANCIAL RECORD KEEPING

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 expense. An effective budget requires the PTA to determine both the ends that are sought and the specific means to be used to achieve those ends or results.

BUDGET DEVELOPMENT

When

The Maryland PTA recommends that the budget be developed during the planning period for new officers (since new officers are usually elected in late spring this will generally occur during the summer) and approved by the membership at the first general meeting of the school year.

Who

A finance or budget committee usually has the responsibility for developing a budget for the PTA. The committee may be elected or appointed according to the local unit bylaws. It is suggested that the committee consist of an uneven number of members to preclude tie votes on any issue that may be debatable. This committee should be chaired by the treasurer and include several other PTA leaders (members) who have knowledge of what has occurred in the past and what future plans are appropriate for the PTA.

Types

There are two types of budgets which can be developed – a Line Item Budget and a Categorical Budget. In a Line Item Budget, every line is approved by the general membership. In a Categorical Budget, the individual line items are grouped into logical categories and only the Categories get approved by the general membership. The Categorical Budget is preferred.

Process

There are three (3) basic steps or stages in developing the PTA's annual plan - the budget. They are:

1. Determine the PTA's goals and objectives (a list of programs, projects, and activities for the coming year).
2. Develop the necessary revenue sources to pay for the accomplishment of the goals and objectives.
3. Reconcile, or balance, steps 1 and 2.

Step 1 - Goals and Objectives

The PTA should first determine its goals and objectives for the upcoming year. This would be a listing of the programs, projects, and activities which it feels should be undertaken and the reason why. A description of each should be written with specific reasons for that activity, along with a timeline or date for the activity. The list of the Appropriate Uses of PTA Funds (pages 35 - 37) should be consulted to insure that goals and objectives fall within the IRS and National PTA guidelines.

An analysis of past activities will help. The treasurer's annual report can be an important aid. In the sample copy of a proposed budget, shown on page 11, the budget values and the actual values for the previous year are provided.

The list of goals and objectives should include leadership education for the PTA's leaders, and 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. Again, 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 in making the cost estimates.

Step 2 - Revenue

After determining 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. Often, some of the programs or projects outlined as goals or objectives will generate revenue. The section on fund raising should be reviewed with respect to selecting appropriate 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

Finally, a comparison between the expenses/costs of accomplishing the goals/objectives and the anticipated revenue should be made. If there is a difference between the two, realistic adjustments must be made to either or both of these areas. When the two areas equal each other, the committee's proposed budget has been developed. Be sure to include a line item for carryover funds (see the sample budget).

BUDGET APPROVAL

ADOPTION OF THE PTA BUDGET REQUIRES APPROVAL OF THE GENERAL MEMBERSHIP

After the budget has been developed, it must be reviewed by the Board of Directors. Following the board's review and approval, the budget must be presented to the PTA membership at a general membership meeting for approval. Often this is the first general membership meeting of the new school year. A majority vote of valid card-carrying members who are present and voting (providing a quorum exists) is required for adoption.

Funds should not be spent until the budget is approved.

AMENDING THE BUDGET

The budget is an annual plan. It is an estimate of the planned expenses and income. It may be necessary, from time to time, to amend the budget. **The Board of Directors alone cannot approve an amendment to the budget. The general membership, which approved the original budget, must also approve any amendment to the budget.**

To amend an adopted budget, it is necessary to vote on the proposed amendment at a general membership meeting of the association.

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

Samples

All samples are designed to assist you in the completion of the required financial and states forms.

Page 10 contains a sample of the annual financial report for the previous year that is presented to the Board of Directors for information and review.

Page 11 contains a sample local unit Categorical 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.) A printed copy should be presented to Board of Directors for approval.

Page 12 contains the Categorical budget prepared, after the Board approval, specifically for General Membership approval. This one is visually different from the Budget for the Board as it contains no individual line items. The treasurer should make a sufficient number of copies for each attendee at the General Membership meeting where the budget is then put to a ratification vote by the General Membership.

Page 13 contains a sample of the treasurer's report that should be presented at every Board of Directors' meeting.

Page 14 contains a sample of the treasurer's report that should be presented at every General Membership meeting.

SAMPLE ANNUAL FINANCIAL REPORT

School PTA/PTSA ANNUAL FINANCIAL REPORT

| | Budgeted | Actual |
|---------------------------------------|------------------|------------------|
| Balance from Previous year: | 610.89 | 610.89 |
| RECEIPTS: | | |
| 1. Membership Dues | 2,500.00 | 2,600.00 |
| 2. Donations (Individual & Corporate) | 5,000.00 | 5,000.00 |
| 3. 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 | 2,000.00 | 1,975.00 |
| 4. Project/Program Generated Revenue | <u>720.00</u> | <u>823.50</u> |
| TOTAL RECEIPTS | 50,830.89 | 52,651.89 |
| DISBURSEMENTS: | | |
| Organizational Expenses: | | |
| 10. State & National Dues | 812.50 | 845.00 |
| 11. PTA Council Dues | 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> |
| Total Organizational Expenses | 3,412.50 | 3,255.75 |
| Operating Expenses: | | |
| 20. Supplies/Postage | 250.00 | 200.00 |
| 21. Committees | 1,000.00 | 978.25 |
| 22. Newsletter | 500.00 | 500.00 |
| 23. Bank Charges/Fees | <u>50.00</u> | <u>80.00</u> |
| Total Operating Expenses | 1,800.00 | 1,758.25 |
| PTA Objectives: | | |
| 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> |
| Total PTA Objectives | 21,220.00 | 20,450.80 |
| Fund Raising Expenses | | |
| 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> |
| Total Fund Raising Expenses | 21,400.00 | 22,558.62 |
| Carryover | 2,998.39 | 4,628.47 |
| TOTAL DISBURSEMENTS | 50,830.89 | 52,651.89 |

SAMPLE CATEGORICAL BUDGET FOR BOARD OF DIRECTORS

School PTA/PTSA

PROPOSED BUDGET

| | Budgeted | Actual | Proposed |
|---|------------------|------------------|------------------|
| Balance from Previous year: | 610.89 | 610.89 | 4,628.47 |
| RECEIPTS: | | | |
| 1. Membership Dues | 2,500.00 | 2,600.00 | 3,000.00 |
| 2. Donations | 5,000.00 | 5,000.00 | 5,000.00 |
| 3. Fund Raising | | | |
| 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 | 2,000.00 | 1,975.00 | 2,000.00 |
| 4. Project/Program Generated Revenue | <u>720.00</u> | <u>823.50</u> | <u>870.00</u> |
| TOTAL RECEIPTS | 50,830.89 | 52,651.89 | 57,998.47 |
| DISBURSEMENTS: | | | |
| Organizational Expenses: | | | |
| 10. State & National Dues | 812.50 | 845.00 | 975.00 |
| 11. PTA Council Dues | 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> |
| Total Organizational Expenses | 3,412.50 | 2,255.75 | 3,525.00 |
| Operating Expenses: | | | |
| 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> |
| Total Operating Expenses | 1,800.00 | 1,758.25 | 1,830.00 |
| PTA Objectives: (Program Services) | | | |
| 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> |
| Total PTA Objectives (Program Services) | 21,200.00 | 20450.80 | 25,890.00 |
| Fund Raising Expenses: | | | |
| 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> |
| Total Fund Raising Expenses | 21,400.00 | 22,558.62 | 23,900.00 |
| Carryover | 2,998.39 | 4,628.47 | 2,873.47 |
| TOTAL DISBURSEMENTS | 50,830.89 | 52,651.89 | 57,998.47 |

Adopted by Association: _____ (date)

SAMPLE CATEGORICAL BUDGET (For General Membership Approval)

_____ School PTA/PTSA

PROPOSED BUDGET

| | Budgeted Previous Year | Actual Previous Year | Proposed Current Year |
|---|---------------------------|-------------------------|--------------------------|
| Balance from Previous year: | 610.89 | 610.89 | 4,628.47 |
| <u>RECEIPTS:</u> | | | |
| 1. Membership Dues | 2,500.00 | 2,600.00 | 3,000.00 |
| 2. Donations | 5,000.00 | 5,000.00 | 5,000.00 |
| 3. Fund Raising | 42,000.00 | 43,617.50 | 44,500.00 |
| 4. Project/Program Generated Revenue | <u>720.00</u> | <u>823.50</u> | <u>870.00</u> |
| TOTAL RECEIPTS | 50,830.89 | 52,651.89 | 57,998.47 |
| <u>DISBURSEMENTS:</u> | | | |
| 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 Objectives | 21,200.00 | 20450.80 | 25,890.00 |
| 40. Fund Raising Expenses | 21,400.00 | 22,558.62 | 23,900.00 |
| Carryover | <u>2,998.39</u> | <u>4,628.47</u> | <u>2,873.47</u> |
| TOTAL DISBURSEMENTS | 50,830.89 | 52,651.89 | 57,998.47 |

Adopted by Association: _____(date)

SAMPLE TREASURER'S REPORT

School PTA/PTSA

Board of Directors/Executive Committee November 4, 20__

General Account:

| | | | |
|---------------------------|--|--|------------|
| Balance, October 7, 20__ | | | \$958.19 |
| Receipts: | | | 625.81 |
| Disbursements: | | | 445.35 |
| Balance, November 4, 20__ | | | \$1,138.65 |

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

DISBURSEMENTS:

Organizational Expenses:

| | | | |
|---------------------------|-------------|---------------|---------------|
| 10. State & National Dues | 428.00 | 428.00 | 812.50 |
| 11. PTA Council Dues | | 34.20 | 250.00 |
| 12. PTA Publications | | | 150.00 |
| 13. Delegate Expenses | | 36.00 | 2,000.00 |
| 14. Insurance | <u>0.00</u> | <u>125.00</u> | <u>200.00</u> |
| Total | 428.00 | 623.20 | 3,412.50 |

Operating Expenses:

| | | | |
|-----------------------|--------------|--------------|--------------|
| 20. Supplies/Postage | | 38.00 | 250.00 |
| 21. Committees | 17.35 | 35.35 | 1,000.00 |
| 22. Newsletter | | | 500.00 |
| 23. Bank Charges/Fees | | | <u>80.00</u> |
| Total | <u>17.35</u> | <u>73.35</u> | 1,800.00 |

PTA Objectives:

| | | | |
|-----------------------------|--|--|-----------------|
| 30. Parent Programs | | | 2,000.00 |
| 31. Life Membership/ Awards | | | 2,500.00 |
| 32. Scholarships | | | 2,000.00 |
| 33. Cultural Arts | | | 5,000.00 |
| 34. Classroom Teachers | | | 3,000.00 |
| 35. Student Activities | | | <u>6,720.00</u> |
| Total | | | 21,220.00 |

Fund Raising Expenses:

| | | | |
|----------------------------|--|--|-----------------|
| 40. Special Event - Bazaar | | | 15,000.00 |
| 41. Candy Sale | | | 2,400.00 |
| 42. Bookfair | | | 2,000.00 |
| 43. Yearbook | | | <u>2,000.00</u> |
| Total | | | 21,400.00 |

| | | | |
|---------------------|----------|----------|-------------|
| Carryover | | | 2,998.39 |
| Total Disbursements | \$445.35 | \$716.55 | \$50,830.89 |

John Q. Jones, Treasurer

SAMPLE TREASURER'S REPORT

_____ School PTA/PTSA
General Membership Meeting, November 11, 20__
Treasurer's Report as of November 4, 20__

| | |
|---------------------------|---------|
| Balance, October 7, 20__ | 958.19 |
| Receipts: | 625.81 |
| Disbursements: | 445.35 |
| Balance, November 4, 20__ | 1138.65 |

| | Reporting Period | Total To Date | Budget |
|--------------------------------------|---------------------|------------------|---------------|
| <u>RECEIPTS:</u> | | | |
| Balance on hand | | 610.89 | 610.89 |
| 1. Membership Dues | 525.00 | 1,123.50 | 2,500.00 |
| 2. Donations | 0.00 | 0.00 | 5,000.00 |
| 3. Fund Raising | 95.10 | 95.10 | 42,000.00 |
| 4. Project/Program Generated Revenue | <u>5.71</u> | <u>5.71</u> | <u>720.00</u> |
| TOTAL RECEIPTS | 625.81 | 1835.20 | 50,830.89 |

| | | | |
|------------------------------|--------|--------|----------------|
| <u>DISBURSEMENTS:</u> | | | |
| 10. Organizational Expenses: | 428.00 | 623.20 | 3,412.50 |
| 20. Operating Expenses: | 17.35 | 73.35 | 1,800.00 |
| 30. PTA Objectives | 0.00 | 0.00 | 21,200.00 |
| 40. Fund Raising Expenses | 0.00 | 0.00 | 21,400.00 |
| Carryover | | | <u>2998.39</u> |
| TOTAL DISBURSEMENTS | 445.35 | 716.55 | 50,830.89 |

John Q. Jones, Treasurer

(A copy of the treasurer's report should be presented to each member at the General Membership meeting. A feasible way of doing this is to copy the treasurer's report onto the reverse side of the printed agenda that is distributed to the members as they enter the meeting place. In most instances, the secretary can easily copy the minutes of the last General meeting, with the treasurer's report below it, onto the reverse side of the printed General Membership meeting agenda. This gives each member a copy of the agenda, a copy of the minutes, and a copy of the treasurer's report, on only one sheet of paper. Presentation of the treasurer's report can be done electronically with copies upon request)

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, provide a basis for projections, evaluate the success of a particular program or venture, serve as an important instrument for the yearly financial review (or a random IRS audit) and/or demonstrate that the local unit is being properly managed.

There are numerous methods of recording financial information. A good record keeping system must be (1) simple to use; (2) consistent; (3) accurate; (4) reliable; (5) easy to understand; and (6) designed to provide information on a timely basis. In the following figures, a sample of a suggested bookkeeping process with sample ledger pages for PTAs is depicted. 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 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 on this page. The titles in the headings of the ledger page are defined as follows:

DATE - the date of transaction (deposit 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. - an account number assigned for each budget line
 RECEIPT - the amount of money deposited to the account either through a direct deposit or a bank transfer such as interest
 DISBURS - the amount of money distributed as the result of writing a check or a bank charge
 BALANCE - the current balance of the money in the account

CASH RECORD (GENERAL LEDGER)

| DATE | CK No. | TRANSACTION | ACCT No. | RECEIPT | DISBURS | BALANCE |
|-----------|--------|---------------------------------|----------|---------|---------|----------|
| 7/1/___ | - | Balance brought forward | | | | 4,428.47 |
| 9/3/___ | 923 | Council 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 | PTA Council - Workshop Regis | 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 |
| 10/15/___ | 929 | Jane Doe - Hospitality Exp.-Oct | 21 | | 7.35 | 5,374.23 |
| 10/15/___ | 930 | Mary Smith - Membershp Envel | 21 | | 10.00 | 5,354.23 |
| 10/30/___ | 931 | MD PTA - State & Nat Dues | 10 | | 428.00 | 4,936.23 |

DEPOSIT LEDGER

The deposit ledger is a bound book or electronic ledger 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 provided to show how the PTA's deposits can be recorded to provide 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 that a deposit is made or that a bank credit is made (the same as listed in the cash record)
 TOTAL DEPOSIT - the total amount of the deposit made for each deposit slip (the 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
 PROGRAM REVENUE - the amount of the deposit that is from Program Services

DEPOSIT LEDGER

| DATE | TOTAL DEPOSIT | MEMBERSHIP | 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 the check is written or that the transaction occurs (same as defined for cash record)
 TRANSACTION - the payee of the check or bank charge (same as defined for the cash record)
 DISBURS - the amount of the disbursement (same as defined for the cash record)
 TOTAL DISBURS - the total expended 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 provides an instant status of the money available for the remainder of the fiscal year.

DISBURSEMENT LEDGER - ACCOUNT No. 21 – Committees

| DATE | CK. No. | TRANSACTION | DISBURS | TOTAL DISBURS | 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 |

DISBURSEMENTS

All disbursements are made by check; never in cash. All disbursements must be in concert with a line item in the approved budget. Additionally, **RECEIPTS MUST SUPPORT ALL DISBURSEMENTS**. Only **original** receipts should be used. 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. **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.”

All requests for disbursement must be made using some type of disbursement request form. A sample is shown on the next page. The form would be filled out as follows:

Date - the date the request is made.

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 check.

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 of the budget line item account that is being charged.

Approved By - signature of the PTA officer approving the disbursement.

Title - title of the PTA officer approving the disbursement.

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:

- 1) 5 boxes of cookies - \$12.68
- 2) 2 lb. of coffee - \$4.25
- 3) 1 box of tea bags - \$3.25
- 4) 1 box of sugar packets - \$4.00

If there are more items than will fit in the space provided, write, “See attached sheet” and attach a separate sheet of itemized purchases.

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.

All receipts and the canceled check should be attached to the disbursement request form and filed for financial review.

Maryland PTA bylaws and our insurance carrier require that each check carry two signatures – the treasurer and one other officer. The use of two signatures provides your PTA with the security of having two officers who are aware of and approve every transaction. It is recommended that your unit authorize three signatories - the treasurer, the president, and perhaps the vice-president.

SAMPLE DISBURSEMENT REQUEST FORM

DISBURSEMENT REQUEST _____ PTA

Date _____

To the Treasurer:

Pay to the order of _____

Amount : _____ dollars and _____ cents \$ _____

Charge to account: _____ Acct. No. _____

Approved by: _____

Signature

_____ Title

Purpose:

Itemize expenses below:

Total _____

Please staple original receipts to this form prior to forwarding to the treasurer.

Paid by check no. _____

Date: _____

Treasurer: _____

Signature

PTA CASH VERIFICATION FORM

RECEIVED

FROM: _____ EVENT _____

DATE: _____

COINS: pennies _____
nickels _____
dimes _____
quarters _____
other _____

TOTAL \$ _____

CURRENCY: \$ 1.00 _____
\$ 5.00 _____
\$ 10.00 _____
\$ 20.00 _____
other _____

TOTAL \$ _____

CHECKS: _____

TOTAL \$ _____

GRAND TOTAL \$ _____

VERIFICATION:

SIGNATURE _____ DATE _____

SIGNATURE _____ DATE _____

TREASURER'S SIGNATURE _____ DATE _____

TAXES & 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.

SALES AND USE TAX

Pursuant to the law enacted July 1, 2013, PTAs no longer must collect and remit sales tax to the State of Maryland on taxable sales. PTAs must continue to maintain 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 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. Visit www.marylandtaxes.com and complete the Combined Registration Application (CRA) for the current year. Contact Maryland PTA for the required IRS Determination Letter and a letter stating your membership in the group determination.

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. A Traders License is needed by those who derive more than 10% of their yearly income from flea markets, or who participate in more than three flea markets a year. Licenses can be obtained from the Clerk of the Circuit Court of your county. Affidavits can be obtained from the State License Bureau (410-260-6240 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 forward 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 additional information contact the Special Events Section (410-767-1531).

CHARITABLE SOLICITATION ACT

The Charitable Solicitation law ensures that those who solicit the general public are legitimate organizations and that their donations will be used for the stated purposes, thereby avoiding a fraud on the public and preserving the capability of genuine organizations to perform works which are in the public interest.

Under this act, charitable organizations and individuals who solicit on their behalf are required to register with the Office of the Secretary of State.

A charitable organization that solicits charitable contributions in Maryland must register with the Secretary of State. This includes all PTA/PTSAs. A charitable organization that raises more than \$25,000 in charitable contributions is required to complete the full registration and submit financial information by using either the Secretary of State form COF-85 (\$25,000 to \$50,000) or IRS form 990EZ (\$50,000 to \$200,000) or IRS form 990 (greater than \$200,000). Charitable contributions are computed by totaling lines 1, 6(a), 6(b), and 7(a) on the Form 990EZ. These are lines 1(b), 1(c), 1(d), 1(f), 8(a), 9 (a), and 10(a) of Part VIII, page 9 on the IRS Form 990 and lines 1(a), 1(b), 9(a), and 10(a) of COF-85.

If the organization receives less than \$25,000 in charitable contributions, there is no requirement to file with the Division, but both the Division and Maryland PTA suggest that you complete the form "Exempt Organization Fund-Raising Notice". Registering allows the public to check on the existence of a PTA should they be solicited.

A copy of all forms must be submitted to the Maryland PTA office.

FEDERAL INCOME TAX-RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX

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. Organizations whose gross receipts are normally \$50,000.00 or less are now required to file electronically form 990N, also known as the e-postcard annually. PTA's whose gross receipts are normally \$50,000.00 or more must file form 990EZ (form 990 if gross receipts are more than \$200,000.00). A Schedule A must be filed with either form.

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. These forms must be mailed Certified to the IRS with a copy submitted to the Maryland PTA office.

Be sure to use the school address and not that of an individual. On Form 990EZ, the information needed for Block F (group exemption number) is 1999. 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. Most PTAs will also be required to file Schedule C if the answer to question 47 is "yes" on the 990EZ and Schedule G if line 6a and 6b is over \$15,000. Call 1-800-829-3676 to order forms or publications; call 1-800-829-1040 for assistance or tax questions. Call the State PTA office 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. Therefore, organizations that do not file the e-Postcard (Form 990-N), or an information return Form 990, or 990EZ 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 furnishes incorrect information.

For Forms 990 or 990EZ 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 furnish 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 990EZ 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 990EZ 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.

NOTE: Any parent group that no longer retains its affiliation with the National and State PTAs must file form 1120 and pay income tax on all receipts unless they apply for and receive tax-exempt status. Maryland PTA is obligated to notify IRS when a group is no longer considered a PTA.

FORMS, FORMS, FORMS

The Internal Revenue Service (IRS) has many important requirements that it places on private, nonprofit, tax-exempt organizations--including PTAs.

GENERAL REQUIREMENTS:

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

State four-digit group exemption number - 1999

Filing Requirement - All PTAs must file and **submit a copy to the Maryland PTA office.**

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

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

FORM 990-N

GROSS RECEIPTS - less than \$50,000

CONTENT OF FORM:

Organization name

Address

FEIN

FORM 990 EZ – RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX (Short form)

GROSS RECEIPTS – More than \$50,000.00 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 in a timely manner.

CONTENT OF FORM:

Income Statement/Balance Sheet

Statement Program Service Announcement

List of Officers and Directors

FORM 990 - RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX

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 in a timely manner.

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 FORM 990EZ

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 FORM 990EZ.

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 990EZ

LOBBYING – Insubstantial amounts

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

SCHEDULE G – SUPPLEMENTAL INFORMATION REGARDING FUNDRAISING OR GAMING ACTIVITIES

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

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 990EZ, line 6a and 6b.

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

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

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

Trade or Business

Regularly Carried on

Unrelated to Exempt Purpose

FILING EXTENSION - Automatic 6 month extension (Form 7004)

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

FORM 1099 MISC - MISCELLANEOUS INCOME

REQUIRED FILING

Payment over \$600.00

Rents, Services, Prizes and Awards, and Other Income Payment

Not required if paid to a Corporation

FILING DEADLINE

January 31 1099-Misc

February 28 1096 -Transmittal

FORM 1096 - Transmittal form for FORM 1099 - MISC.

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

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

Note: It would be impossible and impractical to include in this booklet, all of the information required with regard to compliance with and filing of Federal Income tax forms. If your unit requires additional information not contained in this booklet, please contact the Maryland PTA office at 410-760-6221 or your local office of the Internal Revenue Service. To obtain forms, call 1-800-829-3676 or access on line at www.irs.gov.

STATEMENT FOR RECIPIENTS OF MISCELLANEOUS INCOME

PTAs may be required to file Form 1099-MISC 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-MISC forms are not required to be issued to corporations **or** to those paid less than \$600. Some examples of payments requiring the filing of Form 1099-MISC that your PTA may encounter are:

1. 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.
2. Payments of \$600 or more in a calendar year to a non-incorporated entity as a grant or for services rendered.

Example: "Big Toot" the Clown is an entertainer/teacher who specializes in teaching music to young children during a one-hour clown show. "Big Toot" is hired by the PTA to stage a show in March of this year. His fee is \$350.00 per performance. "Big Toot" may be paid by check with no further action.....until...

The PTA feels that "Big Toot" 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, his fee is \$350.00. Since "Big Toot" has now been paid more than \$600.00 during the same calendar year, the PTA must now file a 1099-MISC.

1099-MISC 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 February 28 of each year.

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-MISC. To obtain the information necessary to properly prepare Form 1099-MISC, the treasurer should provide the payee a Form W-9, Request for Taxpayer Identification Number and Certification.

Because of the substantial penalty potential, it is in a PTA's best interest to issue a 1099-MISC 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:

1. Each failure to file in time the informational return - up to a maximum of \$100,000
2. Each failure to furnish recipient Taxpayer Identification Number - up to a maximum of \$100,000
3. Each failure to furnish in time a statement to a payee - 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-MISC from the Internal Revenue Service.

In order to capture the information needed for reporting purposes, your PTA may create a form similar to the one shown on the next page.

UNRELATED BUSINESS INCOME (UBI)

Maryland 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 determine whether an organization has “unrelated business income” three factors must be present. The income must be:

- from a business
- regularly carried on, and that
- is unrelated to the organization’s exempt purposes.

The law requires non-profits to:

1. Report unrelated business activities where gross receipts are at least \$1,000.00 by filing IRS Form 990-T.
 2. Pay taxes on such income.
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 “discontinuously or periodically” will not be considered to be 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).
 2. *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, and
- The selling of donated merchandise. The federal, state and local government may have different standards for 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 will be your Program Services (PTA Objectives).

EXCESS BENEFIT TRANSACTION

When a PTA provides “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 association 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:

1. 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.
2. 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.
3. 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.

For more detailed information on Excess Benefit Transactions, refer to the National PTA’s Back to School Kit – Finances – Federal Requirements.

THE PTA FINANCIAL REVIEW

A financial review involves an examination of financial transactions and the procedures used to conduct those transactions. 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. Maryland PTA bylaws require that all PTAs submit a copy of the financial review to the Maryland PTA within 120 days of the close of the fiscal year. (Oct. 31)

The books and records must be reviewed annually at the end of the fiscal year 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.

WHO CAN REVIEW

The Maryland PTA Bylaws Format allows the financial review to be conducted by either an auditor or a financial review committee of no less than three (3) persons. **Anyone with signature authority (check signers) is not permitted to be part of the committee.**

The treasurer is normally not present when the committee meets but should be available, either by phone or in person, to answer any questions the review committee may have.

An auditor can be an accountant, a firm that is in the business of providing accounting services, or an individual with auditing experience.

A Financial Review Committee should consist of not less than three (3) PTA members selected by the Board of Directors. It should be noted that this is a committee of PTA members. PTA is a private association, and the books and records belong to the membership. Non-members do not have the right to examine these records.

FINANCIAL REVIEW PROCEDURE

The treasurer should gather together all of the financial records for delivery to the financial reviewer(s)

The following should be delivered:

| | |
|--|---------------------------------|
| A copy of the last financial review | Copies of general membership |
| Checkbook and canceled checks | and Board of Directors minutes, |
| Bank statements and duplicate | which would include an adopted |
| deposit slips | budget as well as any amend- |
| Annual Financial Report | ments, approved during the year |
| Income Ledger | Check requests/vouchers |
| Expense Ledger | Current bylaws and standing |
| Treasurer's reports | rules |
| Copies of all bills, invoices, or receipts | Other material or information |
| for which a check was written | requested by the financial |
| | review committee |

National PTA's Back to School Kit – Finances - The PTA Audit - Financial Review Procedures provides a step-by-step process to follow in conducting a financial review.

A quick synopsis of the process can be summarized as follows:

1. Compare the starting balances with the last financial review.
2. Check all documents for mathematical accuracy (including all ledgers, checkbook, bank statements, canceled checks, deposit slips).
3. Check that all income and expenditures are allocated into the same budget lines that constitute the approved budget and that they are accurately reflected in the annual financial report.
4. **Prepare written report of findings, signed by the auditor or all of the financial review committee members and forward to the Board of Directors.**

A financial review investigates, examines facts, draws conclusions from the facts, and provides a written report to the Board of Directors. The Board of Directors receives the report and has the obligation to act upon the report. **An important part of the Board of Directors legal responsibility is to report the results of the annual financial review to the membership at the next scheduled General Membership Meeting for their approval.**

* * * * *

“A PTA renders a greater service by working to secure adequate funding for programs that have a more enduring benefit than purchasing equipment for schools. PTAs should not contribute to the problem of inequities within a school district by excessive fundraising.”

-National PTA 2008-2009 Money Matters

FINANCIAL REVIEW REPORT FORMAT

Book Balance

Balance on hand as of _____ \$ _____
(Date of last review)

Receipts _____ \$ _____
(From last review to date of review)

Total Cash (Balance on hand plus Receipts) \$ _____

Disbursements _____ \$ _____
(From last review to date of review)

Balance on hand as of _____ \$ _____
(Date)

Bank Balance

Last bank statement balance of the review period \$ _____

Deposits not yet credited by bank \$ _____

Total Checks outstanding \$ _____

Adjusted Balance in checking account _____ \$ _____
(Date)

NOTE: Balance on hand at the end of the fiscal year must equal Adjusted Balance in the checking account.

Attach a copy of Annual Report - actual expenditures compared to the approved budget showing all line items and approved adjustments)

I have examined the books of the treasurer, bank statements, secretary's minutes, disbursement request, annual report and receipts of _____ PTA and find them to be correct.

Signature of Reviewer

Signature of Reviewer

Signature of Reviewer

Date

Date

Date

FUND RAISING 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 permitted under ANY circumstances.

Most PTA units find a need to raise funds in addition to the local unit dues in order to finance leadership activities for officers and other members or enhance enrichment opportunities for students. The Ways and Means Committee (or Fund Raising 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.**

DO IT RIGHT - ONCE AND FOR ALL

If a school need is not being met, the recommended course of action for a PTA is to work to include the item in the next school budget. A PTA renders 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. Raising funds to provide items to a school is imposing an additional tax on the parents of the school children. 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 permitted; 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 fund raising. In addition, once you get an allocation into your school's budget, it remains there - permanently - funded by your tax dollars. *Buy it with the PTA's money; and once it breaks you have to raise more money to buy another.*

FUND RAISING GUIDELINES (Please refer to your insurance policy or check with your agent.)

Fund raising 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 fund raising.
- Gambling raffles, 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 may regulate these activities.
- PTAs should not sponsor fund raising events where alcoholic beverages are consumed as they may place the PTA at risk for liability. See Appendix A-2
- 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.
- Safety should be a prime consideration.

SOME EXAMPLES OF ACCEPTABLE FUND RAISERS (State, county, and local regulations supersede)

- Festivals and carnivals
- Book fairs, street fairs, science fairs
- Athletic events and field days (general liability insurance may not cover athletic events)
- Dramatic productions and musical programs
- Tours of gardens, parks, public buildings and historic sites
- Exhibits
- Fun nights, meals, parties and socials
- Rummage, garage and white elephant sales
- Sale of refreshments at school and PTA events
- Arts and craft sales

This document could not possibly list all of the acceptable fund raising ideas that PTA could engage in. If in doubt about the acceptability of a fund raising project, please contact your PTA Council or the Maryland PTA office.

Remember, one well-planned annual fund raising project will usually raise the funds needed to finance the year's activities. If the fund raising event is to reflect the high principles of the PTA, it will have educational, social, or recreational value.

DEVELOPING CONTRACTS

In the ordinary course of business, most PTAs enter into a variety of contracts. Each time 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. In order for the income from the fund raising activity to be federal income tax-exempt, 85% of the work MUST be done by volunteers.

HERE IS A BASIC CHECKLIST FOR CONTRACTS AND AGREEMENTS:

1. **Get it in writing** (and read EVERY word. If you don't understand it, ask a neutral party who does). Oral contracts, which are legal in Maryland, do not permit an accurate statement of the original agreement. Be wary of any vendor who will not put into writing on the contract anything that he/she is agreeing to orally.
2. **Understand the nature of the relationship.** Who is going to do what for whom?
3. **Financial consideration.** How much will this cost? When are payments due? Is time a factor?
4. **Duties and obligations of both parties.** Applies to both parties. Who is going to deliver and where?
5. **The contract should be in the name of the PTA:** not the school, not the principal, not the fund raising chairman, etc. The contract is signed by the president.

(The Name of the PTA) _____ PTA
A Signature and Title of the Signer(s)
"By Direction of the Board of Directors"

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?

6. **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?
7. **Documents related to the contract.** Are there any related documents that should be integrated or expressly superseded? Bylaws?
8. **Able to subcontract?** Can they decide someone else will perform the task without telling you?
9. **Laws that apply.** What state's law will be used to interpret this contract? Do sales taxes or charitable solicitation taxes apply?
10. **Enforcement.** What happens if they don't perform? What happens if we don't perform? Is there a binding arbitration agreement?
11. **Date of contract.** When does it begin and end?
12. **Legality.** You cannot contract for an illegal activity or break a civil law.

Note: Maryland PTA provides an exhibit area each year at the Annual Convention . Because Maryland PTA cannot discriminate against any legitimate exhibitor - as long as their message is not in opposition to the Purposes of the PTA and is in good taste - many fund raising vendors purchase space in these exhibit areas. THIS DOES NOT CONSTITUTE AN ENDORSEMENT BY MARYLAND PTA OF THESE VENDORS, THEIR PRODUCTS, OR SERVICES.

Other Legal Implications

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

First, **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.

Second are **personal injury** claims. For example, a volunteer who is injured while engaging in a fund raising activity may attempt to hold the PTA responsible.

The third legal concern results from **contract issues**. Like any legal document, these contracts will be binding on the PTA and result in legal liability if not fulfilled.

PROPER USE OF PTA FUNDS

For many years, PTA leaders throughout Maryland have asked for a detailed guideline of how PTA funds should and should not be spent. The following list, created by Maryland PTA, 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 Maryland PTA Life Achievement Award.

Communications/Publicity - Flyers, photographs (purchase of film and development), 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. **PTAs must ensure that the equipment or program can be demonstrated to relate to the curriculum.** PTAs may fund new and/or experimental programs during the initial 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 required 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 Involvement Fellowships - fun nights, puppet shows, magic shows, etc. that are held in an effort 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:

1) The IRS requires that the PTA be able to demonstrate how the field trip is directly related to curriculum.

2) The PTA may be liable for any injury or damages that occur during the field trip.

Fund Raiser Costs - The up-front costs of conducting an acceptable fund raiser. (Refer to page 32 of this publication for acceptable fund raisers.)

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.

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.

Parent Workshops/Seminars - funding of workshops and seminars for parents with regard to education, health, substance abuse, CPR, welfare, 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 and mailing costs.

PTA Publications - all officers and the Principal should receive subscriptions to "Our Children", the "Maryland 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.

In accordance with 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 of your hard-working volunteers.

CAUTIONARY USE OF PTA FUNDS

(All of these items should be supplied by the local Boards of Education)

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, 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 personnel, therapists, nurses, counselors, custodians, etc. (PTAs may have to reimburse the local school district for the cost of custodial services whenever the PTA is conducting an activity in a school building on a Saturday, Sunday or holiday.)

Janitorial Supplies - brooms, mops, pails, detergent, soap, paper towels, toilet paper, floor wax, buffers, vacuum cleaners, 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.**

Presentation Equipment - film projectors, overhead projectors, slide projectors, video camera, video projectors, televisions, radios, record/tape/CD players, etc.; and/or the repair thereof.

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.

RECORDS RETENTION SCHEDULE

It is very 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.

| | |
|---|-------------|
| Accounts Payable Records | 7 years |
| Articles of Incorporation | Permanently |
| Annual Financial Review Reports | Permanently |
| Bank Reconciliations | 1 year |
| Bank Statements | 7 years |
| Budgets..... | 10 years |
| Bylaws | Permanently |
| Cash Receipt Records | 7 years |
| Checks | 7 years |
| Checks for important payments such as taxes, special contracts, etc. should be filed with the papers pertaining to the transaction and kept..... | Permanently |
| Contracts & Leases (expired)..... | 7 years |
| Contracts & Leases (active)..... | Permanently |
| Corporation Reports | Permanently |
| Correspondence with vendors | 1 year |
| Correspondence (general) | 3 years |
| Correspondence (legal) | Permanently |
| Disbursement Requests..... | 7 years |
| Duplicate Deposit Slips | 1 year |
| Employee Records | 3 years |
| Employment Applications | 3 years |
| Equipment owned by PTA | Permanently |
| Financial Statements | 10 years |
| Grant Award Letters..... | 10 years |
| Insurance Records, Accident Reports, Claims, Policies, Certificates | Permanently |
| Inventories (product & materials)..... | 7 years |
| Invoices..... | 7 years |
| Journals | Permanently |
| Maryland Charitable Solicitation Certificate | Permanently |
| Minute Books | Permanently |
| PTA Charter | Permanently |
| Purchase Orders..... | 7 years |
| Sales Records (Information on customers)..... | 7 years |
| Sales and Use Tax License Number | |
| Standing Rules (current) | Permanently |
| Tax-exempt status documents and all documents and correspondence dealing with the IRS | Permanently |
| (For a more detailed breakdown refer to Money Matters) | |
| Trademark Registrations..... | Permanently |

MISSING FUNDS and/or 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 operating 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 prudently, properly and responsibly conduct him/herself (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, fails to 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 the approval of the Board of Directors.

PTAs can do little about the motive and rationalization involved with fraud but can make fraud more unlikely by removing the opportunity.

PREVENTION

- Demand complete written treasurer's reports showing expenditures since the last report and comparison with budgeted amounts.
- Bank statements should be sent to the school address. The president should review and sign the statement before delivering 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

Occasionally, a PTA discovers (or suspects) that some funds are missing. When this occurs:

IMMEDIATELY CONDUCT A COMPLETE AND THOROUGH AUDIT.

- 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 auditor or 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 audit committee must report its findings to the PTA board of directors/executive board. Its report to the board should be factual - stating what was found and also 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.
- The first concern has to be for the welfare of the child.
- The second concern is defamation of character. Do not publicize the alleged misappropriation. Limit this knowledge to the smallest group of people who have to 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.
- The board of directors/executive board 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.
- Notify the insurance and/or bonding agent.
- It may be necessary to consult legal counsel at this point. Some situations can be handled through Small Claims Court; some may require other legal action.

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 advise the principal/school district, however this is PTA business and must be dealt with by the association.
- Public or private statements should not be made, regardless of the severity of the situation or its public knowledge.
- It is very likely that, at some point in this process, the Maryland PTA will be contacted for assistance. It is recommended that all contacts regarding missing funds be referred to the president.
- 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 advised. 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. PTA leaders are encouraged to obtain the necessary legal advice pertinent to local laws.

OTHER TOPICS

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. Maryland PTA bylaws require that Maryland PTAs be incorporated.

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. There are late filing penalties of \$25.00 per month plus interest. 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 Maryland PTA office. When completed, send a check made payable to the "Maryland State Department of Assessments and Taxation" in the amount of \$170.00, to the Maryland PTA, 5 Central Avenue, Glen Burnie, MD 21061.

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.

PERSONAL PROPERTY RETURN

All PTAs incorporated in the state of Maryland must file a Personal Property Return annually by April 15. Filing this return serves to provide an annual report of corporate officers and directors and related information and also 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 Personal Property Return electronically submitted version is now available. See directions in the Maryland PTA Forms & Instructions booklet

Some important things to know in completing the return are:

1. PTAs are "Domestic Non-Stock Corporations." Therefore the ID # prefix is "D."
2. The Federal Principal Business Code is **813000**.
3. If the answer to question C. of Section I is "No," complete questions D. and E. in Section I and then skip Section II.
4. Section III on page 3 must be completed.
5. Sign and date the return, make a copy for your files, and mail the document to the State of Maryland, Department of Assessments and Taxation, Personal Property Division in the envelope provided with the return forms.

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 Maryland PTA office for a Revival of Charter packet. The fee is \$100.00.

FISCAL YEAR

The fiscal year - or operating year - of an organization is any 12 consecutive month time period for which budgets are prepared and for which financial reports (including reports to the Internal Revenue Service) are prepared. It must cover the full year usually beginning on the first day of a month and ending on the last day of the preceding month in the following year (i.e., July 1 to June 30).

The fiscal year for all PTA's is July 1 to June 30 and can not be changed in accordance with # Article XIV.

DONATION OF EQUIPMENT

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

GRANT PROCESS FOR EQUIPMENT

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

The agreement should specify:

1. The amount of the grant.
2. The "sole and express" purpose of the grant.
3. A date by which the school must spend the grant funds.
4. Unused grant funds must be returned to the PTA.

The PTA should then provide the money and allow the school to make the purchase.

A Sample Grant Agreement is on the following page.

HOLD HARMLESS PROCESS

If a PTA does purchase material or equipment for the school, a "Hold Harmless Agreement" should be initiated to transfer ownership to the school and to provide that the school will assume the responsibility of ownership. The school should agree to:

1. Accept ownership of the described equipment.
2. Accept responsibility for the installation, operation, and maintenance of the described equipment.
3. Hold the PTA harmless from any claim or lawsuit arising from damages caused by or from the use of the equipment.

A Sample Hold Harmless Agreement is on the following page.

SAMPLE 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. Any unused or unexpended funds will be refunded to the PTA. The School will provide a complete accounting of the expenditure of the grant funds to the PTA.

The School agrees to maintain the above-described property at _____ for a period of not less than _____ years from the date of purchase.

Date: _____ PTA Officer

_____ PTA Officer

Date: _____ Principal

* * * * *

SAMPLE HOLD HARMLESS AGREEMENT

The _____ PTA presents to the _____ School the following described equipment:

The School hereby agrees to:

1. Accept ownership of the above-described equipment.
2. Accept responsibility for the installation, operation and maintenance of the above-described equipment.
3. Hold the PTA harmless from any claim or lawsuit arising from damages caused by or from the use of said equipment.
4. Keep the above-described equipment at _____ for a period of no less than _____ years.

Date: _____ PTA Officer

_____ PTA Officer

Date: _____ Principal

(The hold harmless agreement should be dated and signed by the school principal and two elected PTA officers.)

FAQ'S

(Frequently Asked Questions)

Q. I was told at one of my Council's workshops that PTAs should not hold "adult" fund raisers, such as Bull Roasts, where beer and wine are served. Yet I know of a PTA on the other side of town that is holding a Saturday Night Party fund raiser where all kinds of alcoholic beverages will be served. How can they do it if we can't do it?

A. As in any case where a PTA is doing something that it is not supposed to be doing, that PTA either - 1) did not bother to contact its PTA Council office or the Maryland PTA Office for guidance in the matter, or 2) knows that it should not be doing this and has decided to do it anyway, regardless of the risk.

Q. It is my understanding that PTAs have to pay Maryland State Sales Tax on everything they buy, yet I know of a PTA that has a State Sales Tax Exemption number. How did they get it?

A. PTAs are not permitted to use the school system's Sales and Use Tax Exemption Certificate but can now apply their own. If a PTA does not have an Exemption Certificate, they must pay the sales tax unless they are reselling the item in which case they would provide the vendor with the Blanket Certificate of Resale.

Also, be careful not to confuse a Sales Tax Exemption number with a Sales Tax Account Number.

Q. When can I use the Blanket Certificate of Resale?

A. When you are purchasing items for reselling, you would provide this Certificate to the vendor. With the new law going into effect July 1, 2013, Maryland PTA is unsure of its future use.

Q. With all this attention being paid to IRS and Maryland Sales Tax requirements, has any PTA in Maryland every really been audited by the IRS?

A. YES, several in recent years.

Q. Has any local PTA ever been fined for failure to pay Maryland State Sales Tax?

A. YES, several in recent years.

Q. What would happen if my local PTA refused to pay our National and State dues?

A. Failure to pay these dues would lead to a situation where the Maryland PTA would have to formally notify the IRS that the unit is no longer operating as a "PTA". This would cause the PTA to lose its charter along with its federal income tax exemption. This would probably result in the local PTA unit's books being audited by the IRS, and their assets seized and distributed to charitable needs according to law.

The bottom line is: If you want to be a PTA, you must pay your dues to the Maryland and National PTA.

Q. One of our Board of Directors members is also active with United Cerebral Palsy of Maryland and UCP is about to begin its annual fund drive. Can our PTA make a monetary donation to UCP?

A. Yes, as long as it is another 501(c)(3) organization. It will be the PTA's responsibility to document information related to this donation (including details on the receiving group) so they can provide it to the IRS if they are ever audited.

Q. I've been having trouble getting my Board of Directors/Executive Committee to approve a budget that contains a significant amount of money appropriated for Leadership Training - attending our Council's workshops and the Maryland PTA's Annual Convention and Regional Trainings. They feel that the money we raise should first go to the needs of the school; and then if there's any money left over, we can use that for training. What should I do?

A. Tell them they have it backwards. Leadership Training is not only the most important budget category that your unit should be spending its money on; the IRS requires it.

Q. Our PTA is about to sponsor a roller-skating party at the local roller-skating rink. We have heard that roller-skating is not covered by our liability insurance, so we have issued "permission slips" to our parents to sign as "hold harmless" forms. That will protect us from any lawsuit, won't it?

A. Skating events ARE covered by Maryland PTA's insurance policy. You will need to contact the insurance agent for the proper forms.

Q. Since checks should not be written to "cash", how does our PTA obtain funds to be used for start-up change for an event?

A. A check, charged against the event budget line item, should be written to the chairman of the event or the person responsible for handling the funds for the event. That individual should cash the check to obtain the start-up funds. The start-up funds should be listed separately in the accounting to be sure they are not included as income for the event. The start-up funds should be listed and deposited as a return of funds (a negative disbursement) to the budget line item that was the original source of the start-up funds.

Q. If I am chairing an event that requires me to outlay a substantial amount of funds to purchase supplies. Can I be issued a check beforehand so I don't have to use my own money?

A. Yes; as long as you properly complete an Advance Request form, sign it, and understand that you MUST forward ALL receipts after you make the purchases, and you MUST return any unused portion of the advance funding. It is preferable to have the check made payable to the item(s) supplier if you are buying all of your supplies in one place. (See Appendix for sample form)

Q. Our PTA would like to sponsor a field trip to an Oriole game at Camden Yards for our third-graders. Is this acceptable?

A. The IRS requires that the PTA be able to demonstrate how the PTA-sponsored field trip is directly related to curriculum.

Q. My PTA has many members of the Board of Directors/Executive Committee that want to go to a National PTA Convention. Can the PTA help fund my cost even if I am not an officer for the current year?

A. Leadership training for PTA leaders is a requirement under the IRS guidelines. How many of your PTA leaders can attend your Council workshops, the Maryland PTA Annual Convention, the Maryland PTA Regional Trainings, and the National PTA Convention, is controlled by how affluent your PTA is and how much money has been budgeted for leadership training. Generally speaking, first-time leaders or incoming leaders should concentrate FIRST on attending your Council's Workshops, the Maryland PTA Annual Convention and the Maryland PTA Regional Trainings. These events offer more for the local unit officer and for those who are trying to "get their feet wet". The National PTA Convention, while offering a substantial amount of good information for the local unit officers, is generally oriented more toward the seasoned PTA leader.

In addition, keep two things in mind.

1) The National PTA Convention is held in June, after the current school year ends and before the new school year begins. Newly elected officers have been known to resign before they ever start to perform their new duties. It would be most beneficial to your PTA, and a courtesy to the membership's hard work at fund raising as well, if all delegates to the National PTA Convention were to have already served on the Board of Directors/Executive Committee in some capacity.

2) Attendance at the National PTA Convention and leadership training is not intended to be a reward for service performed. Therefore, funding for outgoing Board of Directors/Executive Committee members who will not be returning to the Board of Directors in any capacity should be carefully considered - UNLESS, they have won a major award for the unit through their hard work and they are going to the National PTA Convention to accept that award.

Leadership training for any PTA leader is good and useful, and the more trained leaders your unit has, the better. So the bottom line answer to the question is:

How much does your unit have budgeted for leadership training and how much will your unit get in return for its investment?

Appendix



State Office
5 Central Avenue
Glen Burnie, MD 21061
(410) 760-6221 · (410) 760-6223
(800) 707-7972 · (410) 6344 Fax
Email: office@mdpta.org
Website: www.mdpta.org

Alcohol Sale and Use Position Statement

In accordance with the Maryland State PTA insurance program, PTAs may not engage in the sale of alcoholic beverages. (Red Light Item)

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 decanted 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 -- The Maryland 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 "everychild.onevoice."

SAMPLE ADVANCE FORM
 ABC PTA
 123 Somewhere Street
 Somewhere, Maryland 00000

Name: _____ Phone #: (h) _____

Address: _____ Phone #: (w) _____

City: _____ Zip: _____ E-mail: _____

Board Position: _____

| Date | Account Number | Description | Amount Requested |
|------|----------------|-------------|------------------|
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Total Request: _____

Certification: I, _____, request the above advance for expenses expected to be incurred while on authorized ABC PTA business. Within thirty (30) days of the completed assignment, I agree to submit the expense reimbursement form, along with original receipts and to refund any unused portion of the advance, or to claim any additional money due. Further, I understand that after thirty (30) days, I must return the entire amount advanced.

Signature: _____ Date: _____

STATE OF MARYLAND

COMPTROLLER OF THE TREASURY RETAIL SALES TAX DIVISION

SUGGESTED FORM FOR
BLANKET CERTIFICATE OF RESALE

Date _____

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

_____ (Address)

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.

Purchaser's Name _____

Purchaser's Address _____

Signature _____

Title _____

Purchaser's Maryland Sales Tax Registration Number

Treasurer Responsibilities

Daily/Monthly

- Keep detailed written and/or electronic records
- Collect and count all monies received
- Pay all bills promptly
- Prepare and make bank deposits
- Balance Check Book, Bank statement signed by President, Treasurer, and 1 other non-signatory Board Member
- Prepare the Financial Statements for Board meetings
- Mail membership dues to State and Council if applicable

July

- By July 1: Verify liability, bonding, and directors and officers insurance has been paid
- Establish a budget committee and prepare budget for upcoming fiscal year
- Prepare the annual financial report (final report of the year showing status as of 30 June)
- Obtain and begin preparation of IRS forms and accompanying schedules
- Ensure the PTA's financial review is conducted

August

- Present Report of the Financial Review to Board of Directors. Mail a copy to Maryland PTA.
- Look for Membership Cards and verify amount with membership chair

September

- Present annual financial report and the financial review report to general membership
- Present budget to general membership for adoption

October

- By October 31: Send copies of the annual financial and the financial review reports to Maryland PTA

November

- By November 15: File IRS Return of Organizations Exempt from Income Tax Form 990N/990EZ/990:
 - o Gross income <\$50,000: Electronically file IRS Form 990N
 - o Gross income \$50,000 – \$199,999: File IRS Form 990EZ and Schedules
 - o Gross income >= \$200,000: File IRS Form 990 and Schedules
- Send a copy of the IRS Form 990N/990EZ/990 to Maryland PTA

December

- Call IRS Forms and Request 1099-Misc. for any personnel paid over \$600 in the previous Calendar Year
- Call IRS Forms and Request 1096. (This is a transmittal form for the 1099's)
- By December 31: File Maryland Secretary of State Charities Division Annual Update of Registration form including:
 - o Gross income \$25,000 – \$49,999: Secretary of State Charities Division Form COF-85
 - o Gross income >=\$50,000: A copy of the IRS Form 990EZ/990 that was filed by 15 November
 - o Other documentation required by Annual Update of Registration form
- Send a copy of the Annual Update of Registration package to Maryland PTA

January

- By January 31: Mail 1099-MISC as required to payees paid >\$599 the previous calendar year

February

- By February 28: Mail 1096 to IRS & State of Maryland for every 1099-MISC mailed out in January
- Access the Personal Property Return online - due April 15

March

- March 31: Maryland PTA Convention credentialing deadline

April

- By April 15: Mail Personal Property Forms

May

- Check Budget and make final amendments

June

- Prepare books for financial review
- By 30 June: Pay liability, bonding, and directors and officers Insurance
- By 30 June: Return unissued (including damaged) membership cards to Maryland PTA

WEBSITES

To Register as a Charitable Organization for the Maryland Charitable Solicitations Act or Report Annually

<http://www.sos.maryland.gov/pages/forms.aspx>

Click on Category: Charitable Registration Forms and Instructions

Select appropriate form (download and save forms before completing)

Annual Update of Registration and Form

Initial Registration Instruction and Form (COR-92)

Exempt Organization Fund Raising Notice Instructions and Form

Form COF- 85 Instructions and Form

State Department of Assessments and Taxation — Incorporation, Personal Property, and Sales & Use Tax

Data Search

<http://dat.maryland.gov/Pages/default.aspx>

Click on Search the Business Entity Data Base (left side)

Click on Business Entity Information (center section)

Charter Record Search

Use either Name Search or Department ID Search

View your general information, personal property filings or your incorporation status.

Personal Property Return Form

<http://dat.maryland.gov/Pages/default.aspx>

Click on Forms & Applications (Banner)

Click on Business Personal Property

Select Form 1 – Personal Property Return or use the “Online Filing of Personal Property Returns is Here” banner in the center section

Sales & Use Tax - for information on 2013 law and application for a sales tax exemption

<http://www.marylandtaxes.com>

Left side under Maryland Taxes/Business Taxpayers, select Tax Information

Select Sales & Use Tax

IRS

www.irs.gov

Click Forms & Pubs (Top ribbon)

Click Current or Prior Forms and Pubs

Find – type 990-EZ - Search

Locate Form 990-EZ

Select Form 990-EZ for the year in which your fiscal year begins

To file the 990-N, www.irs.gov/990

To View Information on Non-Profits

www.guidestar.org

Sign in or Create an Account (Free Sign Up)

Search GuideStar (top right) or click on Advanced Search

Enter required information (Using an EIN is the quickest route)

Gives access to Summary, Financials, Missions and Programs, Board of Directors, & 990s

Free or Discounted Accounting Software

www.techsoup.org