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COMMON CENTS HANDBOOK

FOR
ALASKA PTA TREASURERS



Version 2007.1

Alaska PTA is grateful to the North Carolina State PTA for allowing us to use their "Dollars and Sense for Treasurers – March 1998" as a guide in compiling this "Common Cents Handbook for Alaska PTA Treasurers". Other Sources of information were also found in previous versions of Alaska PTA financial handbooks, as well as National PTA's Money Matters. Please feel free to let us know how we can improve this handbook.

*Alaska PTA
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INTRODUCTION

Most of us are on a PTA board because we are interested in making life better for our children. To accomplish the goals of our PTA, we need people, time and money.

The mission of a nonprofit organization is to provide a service or solve a problem. As long as it has enough money to continue its operations, it does not have to “make a profit.” Nonprofit organizations still have to be accountable for their funds. Board members are sometimes called trustees because they maintain the trust of the public that the organization is being well managed. The PTA board is accountable to the public because money has come from donations by members of the public and other sources.

All members of a PTA board, not just the treasurer, are equally responsible for financial management. Too often, board members assume that the treasurer takes care of the finances, so they don't have to worry about it. This may be because people are uncomfortable dealing with money. An important role of the treasurer is to make sure board members understand the difference in the role of the treasurer and the role of other board members in financial management of the association.

Take the time to review the publications National PTA's Money Matters and Alaska PTA's Common Cents Handbook for Alaska PTA Treasurers, as well as the Alaska PTA bylaws and the National PTA bylaws. These will be very helpful in preparing you for undertaking your financial responsibilities and duties.

THE BOARD MEMBER

It is the responsibility of all board members to make sure that the PTA is operated in a fiscally and legally sound manner. This is a requirement of the bylaws, and also of state and federal laws. When you become a board member, you are obligated by law to conduct yourself in a manner which will preserve and protect the PTA unit. If you fail to act in a reasonable, prudent and proper manner, you leave yourself open to criticism from peers and to potential personal liability for financial losses or mismanagement that occurs during your term as a board member. This is known as fiduciary responsibility.

FINANCIAL RESPONSIBILITIES OF A BOARD

An executive board has to handle, use and spend other people's money. Many of us do not feel comfortable spending our own money, let alone other people's. However, all members of the board are accountable for the funds of the association.

Everyone, not just the treasurer, needs to be aware of the financial aspects of the association. All board members must read the treasurer's report, ask questions and be familiar with the association's financial status so that they can make appropriate decisions.

It is the responsibility of the treasurer to make sure all board members take their financial obligations seriously.

PTAs are nonprofit associations. Nonprofit associations need money to operate. Because income and expenses don't always come in the right order, it is necessary to have some cash available. In a nonprofit, it may be good management for income to exceed expenses. It is permissible for PTAs to maintain a savings account.

What a PTA (nonprofit) cannot do, and what separates it from a business, is to allow the excess (“profit”) to benefit any individual. Members of the executive board manage the finances of the association but receive no personal monetary gain from any excess of funds. This is why it is important for all members of the board to be aware of the finances of the association.



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PRINCIPLES OF BEING A GOOD TREASURER

- NEVER sign a blank check
- Two signatures are required on all checks.
- State and National portions of dues are never recorded as unit income.
- NEVER deposit PTA funds in a personal or school account or deposit non-PTA funds in the PTA account.
- NO checks should be written until the Executive Board and the general membership approve the budget.
- PTA funds must be kept separate from school funds.
- Always issue a receipt for cash received. Two persons should always count any monies received.
- It is never a good policy to pay with cash. If you must you must also get a receipt.
- PTA may not raise money for individuals or donate money to other groups or organization (although a PTA may bear its share of the costs of a cooperative project)
- Assure complete and accurate record keeping of all funds.
- Conduct an audit of financial records at least annually.
- Remember, children should never be exploited or used as fundraisers

RESPONSIBILITIES OF THE TREASURER

The treasurer is the duly elected, legally responsible and authorized custodian of the PTA funds.

The treasurer should work closely with the president who bears the full responsibility for the total affairs of the PTA unit or council and should have complete understanding of all financial matters.

UPON TAKING OFFICE

The books should be audited before you accept them or write any checks. An audit should be conducted immediately following the end of the term of office. This may or may not be in the same fiscal year.

1. Check files and records received from retiring treasurer. Ask for any missing records at once.

2. Become familiar with the duties as outlined in the bylaws, this handbook and National PTA's Money Matters.
3. If you are new to the position, meet with the previous Treasurer to receive any introduction to your unit's books that you can.
4. Meet with the audit committee and review any recommendations the committee may have had.
5. Verify that a new signature card has been properly completed. See that the new signatories on the account(s) have been voted on as authorized at a Board of Directors meeting, and is reflected in the minutes. Secure a copy for the Treasurer's records. Check on the address that the bank statements will be sent to.
6. **Two signatures are required on all checks.** The new treasurer and at least two other officers (president and secretary or other officer) should be authorized with the bank to sign checks.
7. Make sure the correct EIN number (Employer Identification Number) is listed on the bank account. (Check with the Alaska PTA Office if you are not sure.)
8. Check that your unit has current officers and directors insurance, bonding and liability. The Alaska PTA can furnish information on this.
9. Work with Finance or Budget Committee to develop a budget for the coming PTA year.

MAINTAINING FINANCIAL CONTROL

1. The treasurer is the officer responsible for the funds of a unit/council. Any other officer or chairman, including the president, who receives money at some time during the year should immediately count (with another person present) and receipt the money, give the money to the treasurer, and should receive a receipt from the treasurer for the exact amount.

Anytime money is turned in, both people should sign the receipt- the



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- person turning in the money and the person receiving the money. See Appendix N – Record of Receipts/ Cash Count.
- Never deposit any money except PTA money into a PTA account. PTA funds must be kept separate from school funds. School funds are public monies; PTA funds are private monies.
 - PTA may NOT raise money for individuals or donate money to other groups or organizations (although a PTA may bear its share of the costs of a cooperative project). From time to time PTAs may find it necessary to join with other groups or organizations in a coalition for the betterment of children, (bond referendums, health fairs, support for public education, etc). Before joining a coalition, verify the group's purpose with the Alaska PTA office.
 - The treasurer may pay out NO money until it is authorized by the adoption of the budget by the Executive Board and the general membership. (Remember the funds belong to the membership not the board and not the school.) The procedure is outlined in your bylaws. The treasurer could be personally responsible for repaying the PTA for any unauthorized expenditures.
 - Maintain an accounting system with an accurate record of the expenses and receipt transactions of the unit. Keep records up-to-date.
 - Require that a check request slip be completed by persons needing a check (Example in Appendix)
 - Save canceled checks, paid bills, receipts and bank statements for annual audit.
 - Obtain a receipt for every invoice, purchase or other payment made by the PTA.
 - Register every check in the checkbook at the time it is written

and record on the check and stub the reason it is written.

- Never issue a blank check for an unspecified amount.
- Never pay with cash.
- Deposit all monies received for the PTA in the PTA account as soon as possible after receiving it. Never leave money in the school or someone's home. Always keep a copy of the deposit slip for your records. It is recommended that you list the amount received for each income item (i.e., dues donations, fund-raisers, etc) separately on the deposit slip.
- Never deposit any PTA money in anyone's personal account or in the school account.
- Checks should NOT be written to the school or principal unless it is a budgeted item or for a purchase, which was approved by the PTA membership in the adoption of the budget. (Be sure you receive a receipt to protect the school, principal and yourself.)
- Write checks only for items in the budget. Any change in the budget, or purchase of major items not in the budget, must be approved by the general membership at a regular or specially called meeting. (This is called Amending the Budget.)

Working with the Membership Chairman

- Cooperate with the Membership Chairman and keep an accurate list of PTA membership.
- Keep all State and National portions of dues recorded separate from local funds. This money should not be included as part of the unit's expense funds or included in the budget; however, the National and State portion of the dues received must be shown on the Treasurers Report as



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- they are received and when paid to the Alaska PTA.
3. Send all State and National dues to the Alaska PTA Office as soon as possible before October 15th, send monthly or as often as possible by Dec. 15th, with final payment of dues due to the Alaska PTA office by March 31st.
 4. Amount of dues: State dues are \$4.00 per member; National dues are \$1.75 per member; total to be sent to the State is \$5.75 per member. The check should be made payable to the Alaska PTA.
 5. IMPORTANT: Dues must be in the State Office by October 15th, December 15th, and March 31st. Use the Alaska PTA Treasurers Remittance Form (sample in Appendix – can be downloaded off AK PTA web site) to send in State and National portion of dues and Founder’s Day gifts. When itemized, only one check is necessary.
 6. If no dues are received from a unit by March 31st, the unit may be removed from the mailing list and placed in an inactive status until dues are paid. PTA/PTSA are registered service marks. To solicit memberships and then fail to forward State and National dues is an act of fraud.

Online Membership Reporting

Alaska PTA units began using the Online Membership Data Reporting system beginning April 1, 2005. All membership information must be entered into the database online at www.pta.org/omdr. In local units this is the responsibility of the membership chairperson or in the event of no membership person the official membership list becomes the responsibility of the secretary. Check you PTA Bylaws to see if there is some other person designated to handle membership responsibilities.

Certain required information is necessary to enter the member into the database. The National PTA has developed a

form for use by local PTAs which includes the required information. The easiest way to make sure you have all of the necessary information for this process is to use the form provided by National PTA (see Appendix F for an *updated much easier to use* sample of this form).

To gain access to the Online Membership Data Reporting system, you must have a user name and password. Call the Alaska PTA Office to get the information assigned to your local unit. Online Training for the OMDR is available from National PTA in the form of WEBINARS. The schedule and enrollment information is at <https://ptaevents.webex.com/ptaevents/>.

Membership Dues Remittance

With online membership data reporting, the membership dues must be paid in an amount that corresponds with the total membership entered into the database during the reporting period.

The membership information should be downloaded from the data base and accompany the check for payment of the state and national portion of the membership dues. Member information may be entered at any time but the deadline for dues payments remains unchanged.

In order to remain a “Healthy Unit in Good Standing”, dues payments must be sent to the Alaska PTA office on or before, October 15th, December 15th and March 31st.

CONTENTS OF THE TREASURER’S FILE

1. A copy of the PTA unit, council or district bylaws and standing rules, with section marked authorizing disbursements.
2. A copy of State and National bylaws.



3. A copy of the budget as adopted by the organization. Also keep a copy of any amended budgets, and the minutes of the meeting where the budget or budget amendments were approved.
4. Receipt book to acknowledge money received by the treasurer.
5. Checkbook to disburse funds as authorized within the budget.
6. Treasurer's account book in which to keep the financial records of the organization. (See Keeping Track of Unit Finances, below).
7. Permanent IRS tax information including the following:
 - Federal Employer Identification Number (FEIN) or Employer Identification Number (EIN)
 - Copies of filed Form 990EZ and other required IRS forms
8. Copy of current certificate of insurance.
9. An up-to-date roster of the members of the association.
10. Copy of this handbook, National PTA's Money Matters, and a copy of the most current Audit Report, including the Financial Management Checklist that was filled out by last years Executive Board before handing the books over to the Audit Committee.
11. Ten years' file of audit reports (for historical purposes).
12. Seven years' file of cash receipts and petty cash records, bank deposits, invoices and statements.
13. General correspondence
14. Three years' file of budgets, including any amended budgets.

**KEEPING TRACK OF UNIT FINANCES
(THE BOOKS)**

The Treasurer is responsible for maintaining the books and records of the PTA. The books include a check book, deposit slips and check register or ledger which shows income (and its source) and expenses (and the purpose).

It is from the books that the Treasurer gets the financial information needed to provide financial reports to the Unit, reconciling the bank statement(s), comparison information for the budget process, and information for the audit and to fill out the Form 990EZ.

There are ready-made books available which should suit your needs. These can be on paper or computerized.

See the Appendix for sample ledger sheets (books by hand). Also in the Appendix is a set of financial reports done on the computer software package "Quickbooks" for SAMPLE ELEMENTARY PTA. Included there is a sample:

- Chart of Accounts
- Budget
- Balance Sheet
- Profit & Loss Actual vs. Budget (also known as a Financial Report or Treasurer's Report). See next column "TREASURERS REPORTS"
- Plus more reports

National PTA's Money Matters has sample reports, also.

TREASURER'S REPORTS

The bylaws provide that the treasurer make a report regularly (usually at each meeting) to the members of the Association.

It is helpful to the membership to include a column showing the budgeted amounts so that an easy comparison can be made with the actual figures. The report should:

- Show the balance on hand at the beginning of the year and the last month or meeting.



- List all receipts in Detail and total them.
- List all disbursements, itemized and totaled.
- End with balance on hand as of the report and file with the secretary. A copy of the most recent bank statement should be attached to the secretary's copy of the report. The report, when read or presented at a regular meeting, should not be adopted, but filed for audit.

ONGOING RESPONSIBILITIES

1. Prepare and give a treasurer's report at each meeting of the Executive board and general membership showing the amounts expended compared to the corresponding items in the budget. The budget/ Finance Committee should pay close attention to these reports.
2. If any budget revisions are necessary due to lower or higher income, unexpected expenses or projects, the committee should make recommendation for adjusting the budget. The amended budget must be approved by the general membership at a regular or special meeting by a two-thirds (2/3) majority vote unless otherwise noted in the unit/council bylaws.
3. The adopted budget serves as a financial guide for the year; it must be amended by a vote of the general membership to allow for a change in the money situation.

FILING TAX FORMS

Treasurers are responsible for filing any tax forms for the unit/council. Beginning with the returns DUE in 2008, ALL tax exempt organizations are required to file an informational return. That means every PTA in Alaska must fill out one of the following returns:

- **FORM 990-N** Electronic Notice (e-Postcard) for Tax Exempt Organizations Not Required to file Form 990 or 990-EZ.

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

See "Filing Form 990 / 990EZ / 990-N" on page 17.

ANNUAL REPORT

The Annual Report is presented at the conclusion of the fiscal year (check your bylaws). The Treasurer should prepare an Annual Financial Report that shows:

- All the actual income for the entire year.
- All the actual expenses for the entire year.
- The year's budgeted amounts.
- The variance between the actual amounts and the budgeted

This Annual Financial Report is very important for several reasons:

1. It provides the PTA's audit committee with important information to help it complete its task.
2. It provides the PTA leaders with an extremely good tool to evaluate the actual performance of the PTA against the plan (the budget) that was developed.
3. It provides a valuable tool for developing future budgets.

The annual report becomes official after an audit has been completed and the audit report is adopted at a regular meeting.

FISCAL YEAR

A fiscal year is a 12-month period determined in your bylaws. The end of this period is the time to review the books, prepare the annual report, get ready for the audit, and file Form 990EZ with the IRS.

Alaska PTA recommends that your fiscal year begin on July 1 and end on June 30 in order to coincide with the school year and allow for end-of –the-year expenses. If your PTA



changes its fiscal year by amending the bylaws, be sure to inform the IRS by completing Form 1128.

END OF FISCAL YEAR TREASURER RESPONSIBILITIES

1. Be sure all dues have been paid. If you missed the March 31st deadline and no dues are showing on the State PTA books, your unit will be considered inactive. Being placed on the inactive list jeopardizes your unit's tax-exempt status. If bylaws are current, the unit will be reinstated when dues are received in the state office despite their lateness. This should be done prior to the end of the fiscal year.
2. Balance the books in preparation for the audit.
3. Be sure the bank statement agrees with the balance in the treasurer's books.
4. Prepare annual report covering your term of office, or fiscal year.
5. Prepare any reports required by the government (i.e., Form 990EZ).
6. Obtain signature cards from the bank and prepare authorizations as required by the bank so the new treasurer may draw on funds without delay once the audit is completed and the new budget adopted.
7. Deliver the necessary books and records to the Auditor or Auditing Committee. See list under AUDIT.

BUDGETS

Important: The goals of your organization determine your budget not the other way around.

What is a budget?
A budget is a guide. It is a simple statement showing a plan for obtaining funds and spending those funds to meet the needs of

the PTAs yearly activity. The budget is a working document and probably will need to be amended from time to time during the year.

The budget should include monies necessary to operate the PTA, including the summer months and the beginning expense of the new school year. The budget does not end at the end of the school year, nor upon the election of new officers, but at the end of your PTA's fiscal year.

What should be done with "left over" money?

Funds not spent in one budget year should be held and included in the new budget. No PTA board has the authority to write checks to the school, the principal, or for unbudgeted items to "clean out" the accounts. Every PTA should try and leave sufficient funds for start-up expenses for the next year. There is no ruling from the IRS or PTA that limits the amount of money the PTA may carry forward to the next budget year. However, large sums should be placed into a savings account or CD earmarked for a specific purpose.

Remember, the treasurer must account for every penny received and spent by the PTA!

Budget Preparation Procedures

The Budget/Finance Committee, composed of the treasurer, president (past and present if possible), ways and means chairman, and other interested board members, especially those with experience in financial matters, should prepare a budget proposal for consideration by the Executive Board.

1. The committee should study and compare past budgets and financial reports, noting the routine expenses incurred every year. Consider the cost of proposed new programs and projects. Total these anticipated expenses. Estimate the amount of income the PTA expects to receive. Adjust amounts in the income and expense areas until they are equal and realistic.



2. Before including in the budget purchases of “big ticket” items such as playground equipment, air conditioning, office equipment, items for the school’s technology program, etc., the PTA should determine whether or not the proposed purchase or service is a public responsibility that should be paid out of public funds by the school system.

Most importantly, is the purchase for the benefit of all of the CHILDREN in the school?

3. Prepare a balanced budget showing the sources of income (dues, donation, fund-raisers, etc) and the allotment of expenditures for the year’s activities. Every amount of money to be received and to be spent must be accounted for. Be realistic in your expectations of both income and expenses. The state and national portions of the dues (currently \$5.75 total per person) do not belong to the unit and are never recorded as part of local PTA income. In accordance with the bylaws, this money MUST be sent to the Alaska PTA Office and, therefore, is not a budgetable item. Only the local portion of the dues should be shown as income.

Since all monies must be shown on the treasurer’s financial report, the National and State portion of dues should be shown as receipts and disbursements not belonging to the local unit. It is wrong not to report all income, from every source, on your financial reports- including dues collected on behalf of your parent organization.

4. Be sure to include an adequate amount of carryover funds to begin next year (to cover start-up expenses and training of new officers before the new money starts coming in.)
5. Setting up the Budget. A budget should be divided into two main sections: “Income” and “Expenditures”. Of course, under the income you should list all dues to your local unit (not state or national dues), all anticipated income from fund-raisers, gifts, special sales, etc., from which your PTA plans to conduct

business. This area should be sufficiently detailed to include all major sources of income, but it is also helpful to include a “Miscellaneous” or “Gifts” line for income from unexpected sources. The other part of your budget is “Expenditures”. It should be broken down into three main categories: “Operating Expenses”, “Annual Funding Items”, and “Special Projects”.

“Operating Expenses” are those expenses required to run your PTA unit. They may include dues to councils, office supplies, telephone expenses, postage, and membership campaign expenses, expenses for items purchased for resale in your fund-raisers or special sales, and a small but adequate “discretionary fund”-specified with guidelines- to handle unexpected operational expenses. Please note that fund-raisers must be included in both the “Income portion of your budget (for all money received) and in your “Expenditures” portion to expend the funds for purchasing the items for resale.

“Annual funding Items” would include that your PTA regularly provides for your school every year such as parent education programs, awards and certificates, Reflections, teacher appreciation, scholarships, support for students such as student council, safety patrol, and school clubs, and support for yearly programs such as science fairs, Black History Month, Red Ribbon Week.

“Special Projects” include items your PTA wishes to purchase for the school which are on a one time basis or at least over a short term. These are usually high dollar items such as playground equipment, computers, furniture, etc. Before your PTA considers one of these “special projects,” please make sure that the benefit to all of the children in the school is clear and all other avenues of public funding for these items have been exhausted.

Finally, your budget should include a line for carry-over to the following year to ensure that funds are available for the next year’s start-up. The budget should be simple enough to be understood but



detailed enough to permit you to correctly categorize all expenses. Most importantly, with feedback from your membership, prioritize the needs of your students and the school and decide which projects will be most beneficial.

- 7. Budget approval. The committee then submits the budget proposal to the Executive Board for approval; they have the option of changing it before they approve it. The resulting budget is then submitted to the general membership for adoption. They may also adjust it before finally accepting it. It takes a majority vote to adopt the budget.
- 8. Amending the budget. Since the budget is only an estimate of the planned expenditures for the year, it may be necessary, from time to time, to amend it.

When there are additional expenses or a change in an allocated expenditure, the budget must be amended by a vote of the association at any regular meeting or at a special meeting called for that purpose. To amend something previously adopted, it is necessary to have a two thirds (2/3) vote—a majority vote—with previous notice having been given and a quorum established.

HOW TO IMPLEMENT PLANS

The treasurer shall make disbursements in accordance with the approved budget; the treasurer until authorized by the association cannot pay bills not included in the budget. The treasurer should alert the Budget/Finance committee and the Executive Board if it appears that budget revisions may be needed for the effectiveness of the PTAs work.

COLLECTING BAD CHECKS

Unfortunately, PTA's occasionally receive bad checks from persons paying for fund-raising merchandise, etc. Every effort should be made to avoid this occurrence by knowing the persons writing the checks. If a check is returned, make contact with the person who wrote the check and ask that sufficient funds be made available. If your first attempt is unsuccessful, periodically check with the

bank regarding the status of the account and send the check through when sufficient funds are there. Many banks have automated phone lines you can use to check those bank balances. The PTA always has the option of filing a claim in small claims court or taking out a warrant.

CHECK REQUEST SLIPS

Units and councils are encouraged to use a general check request slip system for its expenditures. A check request is a written authorization for expenditures (contained within the budget) after the executive board/committee and the general membership votes to spend the money by approving the budget.

A check request may be written by the person or committee chairman requesting the money, then approved by the president, first vice president or another designated person. The treasurer then writes checks for the purposes authorized by the check request. There should always be two people with the authority to approve expenditures since the president should not approve his/her own request. See sample of form in Appendix.

CREDIT CARDS

With the use of debit and credit cards, there are new financial considerations for PTA leaders.

Accepting Cards

Accepting debit or credit cards will cost you fees; it may however make you more money in the long run. Your PTA Board will have to research and decide if this option makes sense for your local PTA.

Setting Up

In order to accept credit or debit cards you must set up a merchant account. This can be done by contacting your bank or, if they do not offer this service, a private credit card clearing company. In some cases you will be asked to provide authorization for a credit check; this may be difficult if your organization has no credit history. Do not use an individual's credit information for the organization; it can complicate things when people leave the position or if there is a problem.



Costs

Accepting cards costs money; there are set-up fees and transaction fees. Make sure you understand how these fees are calculated before you sign the agreement or contract.

There are several types of credit card machines. Manual machines are just that, the credit card slip is filled out by hand and manually run through the machine to create an imprint. Slips are then processed, much like checks. Volunteers must be properly trained on this procedure in order to avoid mistakes and omissions which can cost your PTA money.

Electronic machines or “swipe” machines require a power outlet and a phone line. You may not always have these available during fundraisers and programs. Some companies offer wireless options, they are however more expensive.

You will probably be required to purchase or lease the card processing equipment, depending on the company and the type of machine; it can cost several hundred dollars.

Although leasing appears more expensive, you may not want to purchase equipment that is not transferable to another provider. If your organization is unhappy with the company’s service or determines that the expense is not justified, you do not want to have an expensive machine that you no longer need.

Paypal

Another electronic payment option is Paypal. Paypal is an online bank that accepts payments via email. This service allows your members to pay with checking account or credit card while your PTA bank account information remains secure.

This may be the most economical way for your PTA to accept credit cards. If you are interested in information on the services offered by this company go to www.paypal.com.

PTA Credit Cards

The subject of PTA credit cards continues to come up for discussion. The financial policies of PTA have been in place for many years and they are there to protect the members and the organization. Requiring two

authorized “check signers” puts in place a safety net that reduces questionable transactions.

NOTE: PTA financial policy states that there are to be “2 signers” for checks. Credit cards and ATM or Debit cards do not meet that requirement.

PTA FUNDS VS. SCHOOL FUNDS

PTA funds MUST be kept separate from school funds. School funds are public monies; PTA funds are private monies belonging to the local unit and its members. For the money generated at a fund-raising activity held within a school, on school district property or involving students who belong to PTA to be considered PTA funds, the activity at which the funds were raised must have been conducted at the direction or under the supervision of the PTA. This means that PTA must clearly be “in charge” of the activity.

To determine that PTA directed or supervised the activity, ALL of the following criteria are used:

1. If there was a contract involved, the PTA president must have signed the contract in accordance with the provisions of the bylaws. If someone else (i.e., a school principal or staff member) signed the contract, the activity is not a PTA activity.
2. PTA must have been involved in the creation, planning, and the implementation of the activity and the PTA must:
 - Provide the majority of the manpower for the activity through volunteer PTA members; and,
 - Have a properly structured committee for the activity
3. School district employees (teachers, principals, or other staff involved in the activity) must be, for the most part, on their own time (non-staff time.)



- 4. The activity must:
 - a) Have been approved by the PTA membership or board of directors; and
 - b) Be part of the PTA's budget.

If the activity does not or cannot meet these criteria, then the activity is NOT a PTA activity and the money that is raised at the activity does NOT belong to PTA. All money deposited in the PTA account will be considered PTA funds by the IRS and must be reported as such. A PTA should never deposit school or school-related money in its account.

RESTRICTED FUNDS

Many PTAs identify projects where it will be necessary to accumulate funds over a period of time- usually extending beyond two (2) years- in order to fund the project. When this happens, it is recommended that the PTA establish a "Restricted Fund."

A "Restricted Fund" is established when the PTA adopts/approves a motion to set aside funds for a specific purpose. Usually, as part of that motion, there is a statement on how those funds will be raised.

Example 1: "I move that the Sample PTA set aside and accumulates funds to be used for _____."

Example 2: "I move that the Sample PTA set aside and accumulates funds to be used for _____. An annual activity shall be designated for purposes of raising these funds."

Example 3: "I move that the Sample PTA set aside and accumulate funds to be aside and accumulate funds to be used for _____. Fifty percent (50%) of the year-end carry forward shall be used for this purpose."

Example 4: "I move that the Sample PTA set aside and accumulate funds to be used for _____. The board of directors shall annually establish an amount to be transferred from the general fund for this purpose."

It is recommended that the motion approving the establishment of a "Restricted Fund" be voted on by the general membership.

Important: Once the "Restricted Fund" is established- those funds may be used ONLY for the purpose(s) stated in the motion.

A separate bank account should be set up to collect such funds.

The financial status of the "Restricted Fund" is reported as part of the monthly and annual financial reports.

THE AUDIT

The audit (or financial review) involves an examination of the financial transactions of the PTA, and the procedures used to conduct those transactions.

Although it is the Treasurer who is the custodian of the funds of the PTA and is charged with the responsibility to deposit and disburse funds, and keep accurate records, it is the board of directors that has the responsibility to see that the funds of the PTA are administered properly and in the best interests of the members.

To assure that this has been done, that the board acted responsibly, and that good financial practices have been followed, an audit (or financial review) of the books and records must be conducted.

An audit must be conducted:

- Immediately following the end of the fiscal year
- anytime a new person assumes the position of Treasurer.
- Any time there is a question about the financial well-being or performance of the PTA.

WHO CAN AUDIT

A Qualified Accountant
This is an individual or firm that is in the business of providing Accounting services and is qualified to do an inspection (financial review) of books and records.

OR

An Audit Committee
This committee must consist of no less than



three (3) members of the PTA whose books/records are being audited. Non-members or members of another PTA do not have the right to examine those records.

The committee should not include any person who is authorized to sign on the unit/council bank accounts. If a member in the local unit volunteers to perform the audit, he or she should not be a member of the executive committee or a close relative of anyone who signs checks.

PREPARATION

FIRST, prior to the Audit, the Executive Board should fill out the AK PTA Financial Management Checklist and submit a copy of it with the financial records for audit.

NEXT, the Treasurer should gather all the financial records together for delivery to the audit committee.

It is very important that the PTA's financial records be "put in order" for the auditing process.

The following should be delivered to the audit committee:

- Checkbook and canceled checks.
- Bank statements and duplicate deposit slips.
- Income ledger.
- Expense ledger.
- Copies of all bills, invoices, and receipts for which a check was written.
- Copies of all membership and board of directors minutes.
- Copies of the monthly financial reports.
- All undistributed membership cards.
- Copy of the Annual Treasurer's Report.
- Copy of the budget for the period being audited.
- Other material or information requested by the audit committee.
- Copy of the last audit.

In all cases, the audit results and the action of the board **MUST BE REPORTED** to the membership.

RESPONSIBILITIES

The Audit Committee

- investigates and examines facts.
- draws conclusions from the facts.
- presents a written report of its work to the board.

As part of its work, the committee may interview people who handled funds.

The Treasurer, while not a member of the audit committee, is a resource to the committee. The Treasurer is normally not present when the committee meets, but should be available (usually by phone) to answer questions.

The Board of Directors

- Receives the report from the committee.
- Acts on the report.

The board of directors has the legal responsibility to report the results of the audit to the membership and, if action is necessary, what the board has done or will do in response to the report.

If the report is fine and everything is in order, then reporting to the membership is easy.

If the audit reveals some procedural area(s) that need improvement, the board must examine the committee's recommendations and implement those it feels are important and necessary. Some changes may be very informal, and others may be quite formal - perhaps, requiring changes to the PTA's standing rules.

If on the other hand, the report points out the improper administration of the PTA's funds, or the theft of funds, or other serious charges - the board must immediately act to fix what is wrong. This would include the collecting of any funds that are missing.

A "Financial Management/Audit Checklist" can be found in the Appendix.

WRITING CHECKS

The PTA has the obligation to continue paying its debts - even while the audit is being conducted. Generally, this does



not present a problem because the audit will take only a few days. However, when extra time is required for the audit, the board of directors may authorize the writing of a check or checks in order that the PTA meet its legal obligations to those to whom it owes money.

AUDIT COMMITTEE PROCEDURES

1. READ “FINANCIAL MANAGEMENT CHECKLIST” FILLED OUT BY THE EXECUTIVE BOARD to become familiar with this PTA’s financial management practices.

2. START WITH RECORDS POSTED AFTER THE ENDING DATE OF THE LAST AUDIT.

- Check to see if the amount shown on the last bank statement/reconciliation corresponds to the starting balance recorded in the checkbook and register.

3. DO A SAMPLE TEST OF TRANSACTIONS

- Expenditures and receipts
- Size of sample depends on size of PTA Example
- Verify all transactions over \$100 or \$250 or \$500.
- Expenditures: This means comparing the check register amount to the cancelled check to the endorsement (on back of check) to the check receipt
- Receipts: Compare check register to deposit slip to bank statement
If mistakes are found, expand your sample size. At some point you may deem it necessary to audit all the transactions of the PTA.

ITEMS TO LOOK FOR IN SAMPLE TEST OF TRANSACTIONS:

- Is it on the monthly bank reconciliation?
- 2 signatures on EVERY check?
- Unexplained reconciling items?
- Check endorsement matches payee?
- Are disbursements supported by invoices/receipt or other documentation?
- Deposit ticket dates timely with bank received date?
- Timeliness of deposits with dates of events?
- All invoices paid with check and not cash?
- All income and expenditures allocated to proper category of approved budget?

4. STATE AND NATIONAL PORTION OF DUES

- Was state/national portion of dues forwarded to AK PTA in a timely Manner?
- Check that receipts of said dues (\$5.75 per member) is kept separate from local unit portion of dues and other receipts on the books

5. MONEY COLLECTED FOR A SPECIFIC PURPOSE....

Special projects, Founders Day gift, scholarship funds, council dues, etc. have been disbursed accordingly

6. FILL OUT PTA AUDIT REPORT FORM

- Check figures **against Treasurers reports and annual reports.** Check them against the books/ledger total for accuracy
- FILL OUT PTA AUDIT REPORT FORM from above information



7. IF ALL IS IN ORDER

- The Audit Committee should prepare a statement
- Each member of that committee should sign and date it.

A sample statement of auditors might read:
 The auditing committee has examined the records of the treasurer of _____ PTA for the period of 7-01-0? to 06-30-0? and found them to be correct. Balance on hand \$_____. (Signatures of committee).

8. IF NOT IN ORDER, THE AUDITOR(S) MUST ALSO SUBMIT A REPORT:

If not adequate records to conduct a proper audit:

- Sample statement might be: "The auditing committee has examined the records of the treasurer of _____ PTA and finds that more adequate accounting procedures need to be followed so a more thorough audit report can be given."
- Audit committee should be sure to include the information that is needed.

HAVE TREASURER CORRECT ANY CORRECTIBLE ERRORS:

- When Board of Directors is satisfied that the financial accounts are correct, draw a line across the ledger where the audit concludes
- Sign and date the ledger using a different color ink
- State: "Corrected by Treasurer _____ and found correct."
- Name(s) and date.

What if the Treasurer being audited cannot or will not get you the information you requested?

- Contact Alaska PTA via phone call to the President
- You may be advised to send a registered letter to the Treasurer demanding the information.

9. THE AUDIT REPORT MUST BY PRESENTED TO MEMBERSHIP

- OFFICIALLY ADOPTED BY THE MEMBERSHIP.
- Report is include in the Annual Report covering the entire fiscal year
- If additional information and verification was noted as being needed, it should be provided by Treasurer.

10. IF VALIDITY OF AUDIT REPORT IS QUESTIONED

- Contact Alaska PTA

SEE SAMPLE AUDIT CHECKLIST IN THE APPENDIX

MISAPPROPRIATION OF FUNDS PROCEDURES

If proper financial procedures have been consistently followed, your PTA should not have any problems accounting for all funds. However, if there is money missing or embezzlement is suspected, your PTA's Executive Board has a legal responsibility to instigate an investigation and recover the funds. Failure to take action could make Board Members co-conspirators in the illegal act.

Utmost care should be taken to avoid libelous actions against the suspected person(s) involved while pursuing the recovery of the funds. If there is an indication of mishandling of funds, the



Executive Board should have a professional audit done or contact the State Office to assign an Alaska PTA Board of Managers member to assist your PTA.

If the audit confirms misappropriation of funds, or you are unable to conduct the audit due to the lack of records, or if the person(s) involved refuses to cooperate by turning the records over to you, contact your local police department. Once the case is in the hands of the authorities, they will handle it from there.

The only time the PTA should accept restitution is if the entire verified amount of missing money is returned in one lump sum. Once a partial payment is accepted and no other payments are made, criminal charges cannot be made and it takes a civil suit to recover the money.

A general report should be made to the full membership acknowledging the problem and the actions taken to resolve the situation. However, it is not advisable to publicly reveal the offender's name; you should spare his/her children of having to be teased or ridiculed by others. If the press reports on the story, stress the steps that have been taken to recover the funds and the fiduciary steps that are in place to make sure it will not happen again.

REMEMBER!!!

- Every action MUST be taken by the board of directors - not the executive committee or the Treasurer or the President or other officers - but by the entire board of directors.
- The board of directors MUST take every reasonable step to collect or recover the missing funds.
- All the actions of the board must be recorded in the minutes of the board.
- At some point, the board will have to report the missing funds, as well as the board's attempt to recover the funds, to the membership.

PTA AND THE LAW FEDERAL REQUIREMENTS

It is very important that PTA officers, especially presidents and treasurers, understand the relationship between PTA and governmental regulatory agencies, specifically the Internal Revenue Service (General Information: 800-829-1040) and the Alaska Department of Revenue (General Information:) PLEASE READ THIS INFORMATION IN IT'S ENTIRETY.

Employer Identification Number (EIN)

- A. Every unit and council must have an IRS Employer Identification Number (EIN). This number is required for bank accounts, merchant's license application, group tax-exempt application, and filing any federal forms. One of the first steps when organizing a new PTA is to apply for an EIN number (you can apply online at www.irs.gov).

If you are organizing a new unit and need to open a bank account before you have been assigned an EIN number, make the bank aware that you are in the process of applying for your tax ID number and the bank should work with you until your EIN number has been assigned.

Someone's personal social security number should never be used as the tax identification number on the PTA's bank accounts.

- B. The EIN should be kept with your permanent records.
- C. Most PTA's in Alaska now have an EIN. If you are not sure about yours, contact the Alaska PTA Office to determine whether your local unit already has one. If not, you can now file on-line at the IRS web site www.irs.gov . or AK PTA can provide an application (SS-4) with instruction for completion. Mail to Internal Revenue Service Center, Attention: EIN Operations, Philadelphia, PA 19255.

Processing could take 6-8 weeks. (See Appendix).

- D. You can now file on-line at the IRS web site www.irs.gov .



Federal Tax Exemption

PTA units and councils included in the group tax exemption of the Alaska PTA are exempt from income tax under Section 501(c)(3) of the IRS Code and may use the Alaska PTA tax-exempt number.

A. To include your unit or council in the group tax exempt coverage is a one-time process - check with the Alaska PTA Office if you are not sure whether your PTA is already covered.

1. Check to see that your bylaws are up-to-date and that you are current in paying your membership dues and your insurance payment to the Alaska PTA Office.
2. Write to the Alaska PTA Office, and request two (2) statements of authorization. (Also request a SS-4 form if your PTA does not have an EIN (Employer Identification Number) (See Appendix).
3. Complete the Statements of Authorization and return one copy to the Alaska PTA office. Put the other in your permanent file.
4. When your application is approved, the Alaska PTA office will send your PTA an individualized letter authorizing the use of the group tax exemption number. Keep this letter with your permanent records.

B. Benefits of being included under the Alaska PTA group tax exempt number:

1. Individuals or businesses may claim donations of prizes, equipment, cash, etc. to PTA as charitable tax deductions as provided in Section 170 of the IRS Code.

2. PTAs must have use of the group tax-exempt number to apply for a non-profit bulk mail permit.
3. Without use of the group tax-exempt number your parent group must file a tax return (Form 990/990EZ) if gross receipts exceed \$5,000. If you have use of the group tax-exempt number, it is not necessary to file unless gross receipts exceed \$25,000. (For additional information on Form 990EZ, see Section III.)

C. Alaska PTA's group exemption roster is updated annually by Alaska PTA to add new PTAs, and delete PTAs which have not maintained valid charters.

H.U.G.S.

To maintain a valid charter, units or councils must be HEALTHY UNITS IN GOOD STANDING (H.U.G.S), which consists of:

- Bylaws must be approved by the State PTA Bylaws Committee every five years
- Local unit dues must be paid annually by October 15th, December 15th, and March 31st (dues payment does not apply to councils).
- Membership lists must accompany **each** dues check.
- Paid insurance annually to Alaska PTA
- Submitted copies of their filed form 990EZ, 990, or 990-N (which ever form is applicable).
- Submitted copies of their current audits to Alaska PTA.
- Current Officers List on file with Alaska PTA.

Disassociation from PTA:

If your unit decides to disassociate itself from the National and State PTA and become an independent unit (PTO or other parent group):

1. Federal regulations require that Alaska PTA notify the Internal Revenue Service that you are no longer entitled to tax exempt status under the group exemption of Alaska PTA, effective immediately upon dissolution of your unit.

2. Federal regulations require that you, the PTA Unit notify all of your members, donors, potential donors, and participants in your activities that you are not tax exempt and that no contributions and/or out of pocket expenses may be deducted from their federal income tax, effective immediately upon dissolution of your unit.
3. Federal regulations also require that your PTA unit turn over all records, funds and other assets to either the Alaska PTA, or one or more non-profit funds, foundations, or organizations which have established their tax exempt status under section 501(c) (3) of the Internal Revenue code.

A requirement in your bylaws by Alaska PTA states that your PTA unit must turn over these records, funds, and other assets to another PTA organized under Alaska PTA, to Alaska PTA or to another organization approved by Alaska PTA.

4. Article V, Section 10 of the National PTA Bylaws specifies that State PTAs are responsible for compliance by local council, district or region PTAs within its area with the Bylaws of the National PTA. We therefore must require that you send to Alaska PTA the name of the organization to which your PTA intends to turn over its records, funds, and other assets and proof of the 501 (c) (3.) tax exempt status of that organization for Alaska PTA's approval. This procedure must be followed so that Alaska PTA can be assured that your unit has fully complied with all federal laws.

FILING FORM 990 / 990EZ

Form 990EZ / 990 is required to be filed if ANY of the following is true: 1)The unit's gross receipts are more than \$25,000 2)If the units gross receipts is usually over \$25,000, or 3) Form 990EZ form is sent to the unit by the Internal Revenue Service. The Form

990EZ's due date is the 15th day of the fifth month of your unit's fiscal year. For example- if your fiscal year ends on June 30th, the 990EZ is due by November 15th.

Gross receipts are the total amount received from all income sources during the annual accounting period, without subtracting any costs or expenses.

This does NOT include State and National portion of Dues or transfers between bank accounts. Always complete and return the form if the unit receives it even if you did not make more than \$25,000 that year.

The IRS will assess penalties if this form is not returned. If necessary, an extension can be filed for the Form 990EZ by filing FORM 2758 before the deadline. Basic instructions for filling out the Form 990 EZ can be found in the Appendix or National PTA's PTA Money Matters. *These instructions are intended only to help clarify the instructions for Form 990EZ as published by the Internal Revenue Service. They are not intended to replace those instructions.* Current forms and instructions for the Forms 990 and 990EZ can be found on the IRS website at www.irs.gov.

FILING FORM 990-N

With the enactment of the Pension Protection Act of 2006, beginning in 2008, small tax-exempt organizations that previously were not required to file informational returns in the form of 990 / 990EZ will now be required to file a new annual notice, Form 990-N. The new e-Postcard is simple and straightforward and being termed an "e-Postcard" because it will be "short, easy, free, and electronic".

This new e-Postcard will affect every Alaska PTA that isn't required to file a Form 990 or 990EZ.

The e-Postcard is expected to require an organization to provide the following information:

- Organization's legal name and mailing address
- Any other names used
- A Website address if one exists
- Organizations employer ID number (EIN)



- The name and address of a principal officer
- Organization's annual tax period
- A statement confirming the organization's annual gross receipts are normally \$25,000 or less
- Indicate if your organization has terminated (no longer in business).

It is important to note that any organization that fails to meet its annual reporting requirement for three consecutive years automatically loses its tax-exempt status under the new law.

Further information on the new Form 990-N can be found on the IRS website at www.irs.gov in the charities and non-profits section. There is also a Frequently Asked Questions section that is very informative.

FINALLY, don't forget to send a copy of whatever form your unit files to the Alaska PTA Office.

HOW TO FILE (IF YOU ARE REQUIRED TO FILE):

1. Local unit filling out 990EZ:

Refer to National PTA's Money Matters, or Appendix of this handbook for a sample-completed form, and check IRS web site at www.irs.gov for complete instructions.

Note: Schedule A must be completed and attached to the Form 990EZ (See Appendix).

OR

2. Consult a local accountant with non-profit experience. This is becoming more and more a popular option if there is no one in your local unit with the expertise and or the time to fill out the informational return.
3. Send a copy of the 990EZ to Alaska PTA Office.

WHEN TO FILE:

Form must be filed by the 15th day of the fifth month after the end of your fiscal year as noted in your bylaws. For example, for a fiscal year ending on June 30, the filing deadline is the following November 15th.

The law imposes a penalty of \$10.00 per day, up to a maximum of \$5,000, when a 990EZ return is filed late, unless there is a reasonable cause for the delay. In order to receive an extension, you must file Form 2758 with the IRS to request an extension and avoid this penalty.

UNRELATED BUSINESS INCOME

When can tax-exempt organizations be taxed?

Not-for-profit organizations, such as PTAs, are eligible for tax-exempt status, but this status does not mean that PTAs are never required to pay tax. Certain income-producing activities carried on by PTAs may fit into a tax liability category called unrelated business income, or UBI.

If a PTA conducts one or more activities that gross Unrelated Business Income of greater than \$1,000, then the PTA needs to report these earnings to the IRS on Form 990-T.

If this income is determined to be UBI, then it will be taxed at regular corporate rates with some exceptions. Most PTA fund-raising activities are the exception and exempt from federal income taxes because of the following:

- They are conducted only once per year, or
- 85% of the work on the activity is conducted by volunteers, or
- They consist of selling donated merchandise.

There is no rule that says PTAs must never conduct activities that produce unrelated business income, but in order to retain tax-exempt status, PTAs must pay attention that fund-raising does not become the primary focus of the organization.

Whether income is related or unrelated is almost always determined by the nature of



the income producing activity in relation to the nonprofit exempt purpose and rarely how a nonprofit uses its money. How an activity is structured can usually determine if income is related or unrelated.

The following is a review of the conditions that must exist in order for an organization to generate unrelated business income, and may help PTAs avoid generating taxable income, if that is the goal.

UNRELATED BUSINESS INCOME DEFINITION

The IRS definition of unrelated business income carries three factors that must all be present for income to be considered UBI, and therefore, taxable:

The income must be:

- From a business
- That is regularly carried on and
- That is unrelated to the organizations exempt purpose.

Income "from a business." A business is generally an activity carried on for the production of income from the sale of goods or the performance of services. Not all income-generating activities constitute a business. On the other hand, to be considered a business, an activity need only produce income; it does not have to produce a profit.

An activity can be a business even if it loses money every year. In such cases, even though the organization may not have any tax liability from a business operated at a loss, it is still a business.

In the "sale of goods or the performance of services," the activity is not considered a business unless the organization takes an active role in the generation of the income. The income a tax-exempt organization earns from passive activity, such as the payment of dividends, interest, rent, or royalties is not a business, except under special circumstances. (Consult the IRS or the Alaska PTA Office if questionable.)

A business "regularly carried on" is the second qualification to consider when determining whether a "business" is UBI or not. Activities that are carried on only

discontinuously or periodically will not be considered "regularly carried on." Once-a-year activity occurring at the same time every year, such as a fund-raising dance every spring or operating a sandwich stand at a state fair for two weeks every summer may not be considered "regularly carried on."

What these types of events have in common is short duration. In contrast, activities have been found to be regularly carried on where preparation or follow-up stretches over a long period.

On the other hand, an activity occurring only once per year might also be considered regular if a commercial company performing the same activity would also be active only once per year, e.g., selling Christmas trees in December or turkeys in November.

A Business "unrelated to the organizations exempt purpose."

If an activity is substantially related to the exempt function of the organization, then even if it does constitute a business and is regularly carried on, the income it generates will not be subject to tax. A substantially related activity, according to IRS regulations helps to cause the achievement of the organizations exempt purpose in an important way.

Following are some examples of activities that produce income and are regularly carried on by tax-exempt organizations. However, because these activities are substantially related and contribute importantly to their organizations exempt purpose, they do not qualify UBI:

- Trade associations charging registration fees for their conventions
- Museums charging fees for admission
- Neighborhood block clubs charging admission to social events.



**UNRELATED BUSINESS INCOME
EXCEPTIONS**

The Treasury Regulations provide several special exceptions to the general rules on which unrelated business income activities are subject to tax. The following are special exceptions that apply to PTA's:

Volunteer activities. A UBI exception is made if substantially all the work on an activity is done without compensation, that is, by volunteers. The Treasury Regulations limit the paid labor on an activity to 15% of the total labor. Additionally, the work done by the volunteers must make an important contribution to the production of income.

Low-cost merchandise. Another UBI exception is made on any income received from the distribution of low cost articles incidental to the solicitation of charitable contributions, such as return address stickers enclosed in solicitation letters. An item is considered "low-cost" if it costs the organization less than \$8.30 (2005 figure). This exception applies as long as the person solicited can keep the item with or without making a donation. The organization will not need to keep within this limit if the articles being distributed promote its exempt purpose.

Donated merchandise. The sale of donated merchandise is another UBI exception. If a tax-exempt organization resells items that have been donated to it, it does not have to pay tax on the profit.

Corporate sponsorships. Qualified sponsorship payments are exempt from unrelated business income tax. For a payment to qualify for the exemption the sponsor must not receive substantial benefit in return, other than the use or acknowledgement of the sponsors name logo, or product lines in connection with the nonprofit organizations activities. Use or acknowledgment does not include advertising the sponsor's product or services.

For more detailed information on UBI, See IRS Pub. 598 Tax on Unrelated Business Income of Exempt Organizations (can be downloaded at www.irs.gov)

IRS AUDIT

The Internal Revenue Service has announced that it will attempt to audit all nonprofit organizations over a ten year period. This increases the prospect of an audit for your PTA.

Currently there are three basic methods of auditing that the IRS uses:

- Mail Audit - a specific item is questioned and can easily be verified by submitting the requested documentation through the mail.
- Office Audit – IRS conducts the audit at it's own office.
- Field Audit – The audit is conducted at the organization's place of business.

If your PTA is selected to be audited you will be notified by mail. The "audit letter" will specify the method of examination and which records you will need to assemble to substantiate items reported on your Form 990EZ.

Respond promptly to any correspondence from the IRS. Answer only the questions asked. In letters to the IRS, include your taxpayers identification number (EIN) and the document locator number shown on the IRS correspondence. Send your reply by certified mail, retaining a copy for your files.

Your should maintain consistent and accurate records, and retain them for a minimum of six years. (see Appendix for Timetable for Retaining Records). The best defense against an IRS audit is an accurate, properly documented return.

**STATEMENT FOR RECIPIENTS OF
MISCELLANEOUS INCOME
IRS FORM 1099-MISC**

PTAs are required to file Form 1099-Misc with the IRS if they pay \$600 or more during the calendar year to any unincorporated



business or person for services rendered or in payment for a grant, award or scholarship.

1099-MISC forms are not required to be issued to corporations or to those paid less than \$600.

Here are some examples of payments requiring the filing of Form 1099-MISC that your PTA may encounter:

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 PTA.
2. Payment of \$600 or more for a scholarship awarded to an individual when the PTA does not have written verification that the money was specifically used for tuition and related expenses.
3. Payments of \$600 or more in a calendar year to an unincorporated entity as a grant or for services rendered.

For information regarding when and how to file, you can obtain a copy of the instructions for Form 1099-MISC from the Internal Revenue Service web site www.irs.gov. 1099-MISC forms must be sent to the recipients on or before January 31 of each year and filed with the Internal Revenue Service on or before February 28th of the same year.

The name and address of the recipient, his or her social security number (or 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 send the payee a Form W-9, Payer's Request for Taxpayer Identification Number and Certification.

A procedure should be established to gather the information necessary to complete these forms (especially the gathering of social security or Employer Identification Numbers).

GENERAL INFORMATION

BULK MAILING PERMIT

A unit, council or district may apply for a non-profit bulk mailing postal permit, which can save substantial money. To use it, at least 200 pieces or 50 pounds of like mail must be sent at one time. Your local post office has the specific form and directions for applying.

One of the items you will be required to provide to the postal service is a letter from the Internal Revenue Service proving your tax-exempt status under 501 (c) (3). You may obtain this information from the Alaska PTA office. We will provide your unit with the Group Tax Exemption letter from the IRS along with a personalized letter stating your unit is a Healthy Unit in Good Standing (H.U.G.S.) with the Alaska PTA. You will also need to have a copy of your current bylaws for the postal service.

INSURANCE

Alaska PTA has negotiated an insurance package for all Alaska local units and councils. Effective December 1, 2004, insurance is now **mandatory**. This statewide insurance coverage is billed annually in the fall, and must be paid in a timely manner to Alaska PTA in order to be a Healthy Unit in Good Standing (H.U.G.S.) Local units should receive invoices for the upcoming policy period in August.

Coverage Includes:

1. General Liability Insurance provides 3rd party liability coverage plus covers all routine activities of your PTA (meetings, festivals, skating parties, parades, etc.) and offers liability protection for bodily injury, personal injury, property damage, hazards to the general public, libel/slander, etc. It covers legal fees, often the most expensive part of a liability claim.

2. Bonding policy Plus covers losses sustained by a PTA unit or council through any fraudulent or dishonest act or acts committed by any of the employees or non-compensated elected officers and their successors, or any non-compensated person



in a unit or council who is authorized by an officer to handle unit or council moneys acting alone or in conspiracy with others.

3. Directors and Officer's Liability picks up where General Liability leaves off to provide insurance protection for 3rd Party liability claims alleging management errors or omission including supplemental defense.

Additional coverage can be requested on a per unit basis by contacting the Alaska PTA office where you will receive the contact information of our insurance broker.

CONTRACTS

In the course of a year, many units and councils enter into a variety of Contracts.

**** ALL CONTRACTS SHOULD BE IN WRITING ****

The PTA unit assumes the responsibility and the legal obligation to comply with the terms and conditions of the contract including any payments specified by the contract. The fact that an activity is not a financial success or that the PTA has insufficient funds to meet its obligation has no effect on the legal requirements to fulfill the terms of the contract.

Before entering into a contract on behalf of a local unit, the following points should be considered:

1. Does the person negotiating the contract have the necessary authority to do so?
2. Has the board of directors reviewed and authorized the contract?
3. Are all the terms and conditions of the contract, including the fine print, understood and agreeable to PTA
4. Does the PTA have the ability to comply with all the terms the contract, even if the event is not successful?

Only elected officers should sign contracts!

When entering into a contract, the president is responsible for the agreement and should clearly identify that it is the unit entering into the contract and not the president as an individual.

The signature on a written contract should read:

“_____ PTA or PTSA unit or council by:
(Name)_____

President Date

(Name)_____

Title (one other PTA officer's signature) Date

If there is any question about the terms or conditions of the contract, the proper time to seek advice is before you have put your signature on the dotted line.

CERTIFICATES OF DEPOSIT

Certificates of Deposit (CD's) are also OK. These are the same as savings accounts except that they usually pay a higher rate of interest. However, the PTA must pledge to leave its money in the account for a specified period of time or pay a penalty. Therefore, care must be exercised to be sure the PTA will not need that money during that period of time.

SALES TAX

Your PTA may not be exempt from paying local sales tax. This will depend on your type of income in many cases. Please do the proper research to determine your responsibility for sales tax.

FOUNDERS DAY GIFT

A FREE-WILL OFFERING MAY BE EITHER COLLECTED AT Founders Day celebrations, provided for in the budget or granted by vote of the membership. Your PTA's gift is sent to the State Office where it is divided between National and the state. Contributions are used to increase the capacity of the PTA to serve children and youth. All contributions should be clearly marked "Founders Day Gift" and made payable to the Alaska PTA.



FUND-RAISING INFORMATION

GUIDELINES FOR A SUCCESSFUL FUND-RAISER

“The primary emphasis of PTA is the promotion of the PTA Mission and PTA Objects. A PTA’s real working capital lies in its members, not its treasury. When PTAs invest their human resources in programs, they create benefits for all children and youth with modest outlays of money.”

Remember PTA policy - children should never be exploited or used as fund-raisers.

Many school boards have policies concerning fund-raising. Check with your superintendent for your local school board’s policies and for further restrictions, which may apply in your school system.

Purpose: No fund raising program should be held without a PURPOSE, and the members of your local unit should support that purpose. PTAs are not primarily fund-raisers.

REMEMBER THE “3 TO 1” RULE: FOR EACH FUND-RAISING ACTIVITY, THE PTA SHOULD PLAN AT LEAST THREE (3) TYPES OF EDUCATIONAL ACITIVITIES/PROGRAMS FOR PARENTS AND CHILDREN.

HOW MUCH FUND-RAISING SHOULD PTAs DO?

The PTA should be raising only the money it needs to conduct its own projects and programs while advocating for adequate funding of school equipment and supplies from those governmental bodies who have the legal responsibility of meeting those needs (school boards, municipalities, boroughs, and the state and federal governments).

A PTA should conduct three non-fund-raising projects aimed at helping parents and children or advocating for school improvement for each fund-raising activity it holds. (The “3 to 1” guideline).

KINDS OF FUND-RAISERS

There are numerous ways to raise money successfully for your PTA. Choose the method that is most suitable for your group. A PTA should never engage in a fund-raising activity that is contrary to PTA’s mission and policy.

Examples:

- Bake sales/suppers
- Auctions
- Merchandise sales (commercial products such as candy, wrapping paper, T-shirts, novelties, etc.)
- Car washes
- Carnivals/festivals/fund days
- Pledges (walk-a-thons, read-a-thons, phone-a-thons, etc.)
- Book fairs
- Performances with paid admission

National PTA sends out an annual publication titled *PTA Fundraising Essentials* that has lots of expert advice on fundraising event ideas, tips on pursuing grants, strategies for organizing volunteers, and lots of other fundraising tidbits. It is sent out annually to all PTA leaders and public school principals. Look for additional information at www.pta.org/fundraising or contact the Alaska PTA office.

DEDUCTIBILITY OF CONTRIBUTIONS MADE TO PTAs:

- IRS regulations state that charities must provide a written statement or receipt to a donor for any donated item, except for donations by check of less then \$250 where the check is considered the receipt.
- IRS regulations state that charities must also provide a written disclosure statement to a donor for a quid pro quo contribution of more than \$75. This type of contribution is a payment made partly as a contribution and partly in exchange for goods and/or services.
- Effective for tax years following 8/17/06, new recordkeeping rule for monetary contributions of ANY amount (whether with cash, check, electronic funds transfer, credit card,



or other monetary contributions), the donor must obtain and keep a bank record or written communication from donee as a record of the contribution.

- Donations/scholarships/grants contributions of \$250 or more must be acknowledged in writing by the recipient to the donor.
- Penalties can be assessed if documentation regulations are not followed. Access National PTAs Money Matters book or the IRS website at www.irs.gov for additional information and form examples.

**GAMING IE:
BINGO-RAFFLES**

In Alaska GAMBLING is defined as:

(1) "contest of chance" means a contest, game, gaming scheme, or gaming device in which the outcome depends in a material degree upon an element of chance."

(2) "gambling" means that a person stakes or risks something of value upon the outcome of a contest of chance or a future contingent event not under the person's control or influence.

Alaska PTA does NOT recommend that your unit participate in the above types of fund raisers. PTAs must maintain financial records of the gambling activity, and risk their non-profit status if they don't follow all the Gaming rules and regulations required by the State of Alaska.

For more information go to:
www.tax.state.ak.us/programs/gaming/faq.asp

COMMERCIAL CO-VENTURING

WARINING! Commercial co-venturing, a new form of fund raising, is Not recommended because monies generated from these types of activities may be considered unrelated business income and are usually taxable. A business will advertise a cooperative fund raising effort in which money is paid to the business for a product or service and a portion of that money is given to the PTA. (For example, the PTA receives \$5.00 for

every member who subscribes to a certain telephone long distance plan.) The amount of that gift is determined by how successful the business is in selling its products or service and has little to do with the efforts of the PTA and its members.

Given the PTA's noncommercial policy, the only appropriate role in any such venture is a passive one.

Active promotion, sale or marketing of the business' products or services by the PTA and its members would violate the non-commercial policy. In many cases, revenue received from such efforts is seen as taxable unrelated business income and the PTA would have to file and pay federal taxes on this income.

Before starting any joint financial project, a PTA should consider whether the arrangement could be viewed as an endorsement of a product, company or foundation. If so, it should be restructured to remove the aspect of endorsement or promotion. If that is not possible, the PTA should not participate.

If the PTA is already involved in an ongoing or past relationship with a commercial enterprise that does not meet the PTA's non-commercial policy, the relationship should be restructured, if possible, or ended to avoid the continuation of any unacceptable practices.

Planning: Any fund raising project should have a committee, which could include the following:

1. Project chairman to coordinate the entire program or project.
2. Local unit treasurer to account for all monies.
3. Distribution subcommittee chairman to keep track of all merchandise being sold and to reorder additional merchandise as needed.
4. Publicity subcommittee chairman

Protection: When selecting a fund raising program where merchandise is to be sold, the most important decision is WHO WILL BE YOUR SUPPLIER. When possible, always have more than one supplier present their



everychild.one voice. **COMMON CENTS HANDBOOK FOR AK PTA TREASURERS**

programs to you. It is helpful to have these presentations at the same meeting, if possible, so you can compare the programs while everything is fresh in your mind. Ask the suppliers to meet with members of your total board. This is their business, and if they want YOUR business, they can take the time to meet with you.

Following are a few questions you should ask each supplier:

1. Will the supplier take back all unsold merchandise?
(Personalized items cannot be returned.)
2. Who pays the freight? If the company pays freight, do they charge any of it back to the group?
3. Who pays the freight on returned merchandise?
4. How long will it take to get the product(s)?
5. Can you get the product without an advance investment?
6. If your project does not go well, will you lose money? If so, how much-a percentage or the total amount?
7. How long has the company been in the fund raising business
8. Does the company have a local representative?
9. Is the quality of their product guaranteed?
10. Does the company have any local success stories? If so contact those groups and ask not only how much money they made, but also what (if any) problems they encountered and what they especially liked about dealing with the company.
11. Is there an agreement or contract to sign?
12. Will they accept a Certificate of Resale so we do not have to pay sales tax?

Remember: If the unit is not incorporated, the contract signer can become financially responsible if something goes wrong with the fund raising project.

For the protection of your association, if you are incorporated, sign the agreement as discussed under "Contracts"

Product: Is the selling price fair to the consumer?

Pride: Do you think your members will feel good about selling the item?

Prospective Customers: Select an item you feel will be useful and will best sell to your target market

Profit: (Not percentage) Multiply how many items you believe each member of your group can sell times the profit of each item to find your potential PROFIT. (Note: Estimate what you believe your unit can sell, not what the supplier says you might sell.)

Public Relations: DO NOT send unsolicited merchandise home with your children. You may get many parent complaints and incur losses from those who do not wish to return the merchandise or pay for it. If you do not like company sales information, write and print your own.

Stress that parents, not children, should do the selling.

Program: Once you have selected a product, it is time to begin:

1. Announce your goal to the membership of your unit and let them know what they can do to help the group achieve that goal.
2. Place your order with the supplier. Have ALL details and agreements in writing.
3. Have your publicity chairman announce the upcoming sale in your local PTA unit newsletter, on the radio, etc. Upon completion, remember to thank everyone for his or her cooperation.
4. Set up an incentive program for the selling members, if you feel it is necessary.



- 5. Collect money from customer before or at the time merchandise is given to them— NO CREDIT!
- 6. Upon completion, make sure you pay your supplier on time.
- 7. If you have any problems with a supplier, let the Better business Office and the Alaska PTA Office know for future reference.

A. PTA has all the authority. PTA monies are totally separate from the school's funds. If the principal has control over PTA funds, then the principal must be held accountable in the event of an audit from the IRS, just as any PTA would.

Q. Should the Principal make the decisions on PTA funds?

A. No. PTAs have all authority of the budgeting process of their PTA unit while considering, of course, input from the principal. The principal is in a good position to know the needs of the school and to make recommendations, but the PTA's general membership, from recommendations, budgets and plans presented to them by the PTA executive committee/board, makes the final decisions. The principal or his representative has only one vote, the same as all other board members.

Q. Should PTAs purchase "big ticket" items for their school? i.e., playground equipment, computers, etc.,

A. The PTA should only consider this type of purchase if they believe it will directly benefit the children in the school and after all other avenues of funding for such items have been exhausted. PTAs need to be aware of liability issues involved with some types of these purchases, especially playground equipment.

Q. Should PTA funds run through the school's or principal's account?

A. Absolutely not! Only PTA money goes into a PTA account. Two key questions to consider: Did the PTA raise it? And Does the PTA decide how it is spent?
If either answer is "no", don't do it.

Q. Are purchase requisitions (check request slips or purchase orders) required to initiate expenditures?

A. This is highly recommended, but if your unit does not adopt this procedure, by all means you should require a receipt for all reimbursements. File receipts for yearly audit.

COMMONLY ASKED QUESTIONS & ANSWERS

PTA units nationwide have similar questions concerning PTA funds and various requests for usage of those funds. Here are some of those questions with their appropriate answers.

Q. Should any one person have full control over the PTA funds?

A. No not ever, The PTA funds belong to the local unit, not to any one individual. When only one person has full control, there is a danger of misuse of funds.

Q. Should PTAs pay salaries for substitute teachers?

A. Alaska PTA and National PTA do not recommend this for any reason because it is not within the Objects of the PTA to pay teacher salaries.

If PTA funds are used to pay substitute teachers, questions will arise as to who is paying the employee taxes, is the employee contract labor, and who is responsible for filing appropriate financial/tax reports quarterly or annually to the IRS. Alaska PTA and National PTA do not recommend paying salaries for school-related employees.

Q. Who has authority over PTA funds, the principal or PTA?



Q. Should PTAs purchase office equipment, and if so, should the PTA have the liberty of using it?

A. Whenever a PTA purchases any type of equipment for their school, that equipment immediately becomes the property of the local Board of Education. Use of this equipment is then up to the Board of Education. Be aware that the local Board of Education can transfer the equipment to another school if it so chooses.

Q. Should the PTA pay for the service contract?

A. Once the equipment is placed on school property, it becomes the property of the local Board of Education. We recommend that if the PTA purchases the equipment for the school, and the school should pay the service contract, not the PTA since the equipment is not the property of the PTA.

Q. State and National PTA sponsored conferences (i.e., convention, leadership, legislative, etc) a valid budget item for my local PTA.?

A. Absolutely! Informed, responsible leaders strengthen the network of local, State and National PTA. Trained volunteers are better able to provide a variety of activities, services, and programs, which benefit parents, teacher, children and the schools.

Q. Should PTAs pay for parties and luncheons for staff?

A. Alaska PTA acknowledges Teacher Appreciation Week and Secretary Week. We encourage all PTAs to support teachers throughout the year and especially during National Teacher Appreciation Week and Secretary Week: however, we do not encourage PTAs to give big, expensive dinners off campus. We feel these funds could be better utilized in the classroom in the interest of all students and teachers for educational purposes.

Q. Should unforeseen requests be approved by the: PTA Executive Board, the PTA President, or the General Membership?

A. Check your bylaws- some PTA bylaws allow the PTA President the authority to

approve expenditures up to a certain amount (\$75.00-\$100.00, for example). If this is not stated, then the PTA Executive Board must approve the expenditure within the limits of the budget adopted by the association. Any expenditure not included in the budget must be approved by the general membership.

Q. How many fund-raisers should PTAs have?

A. Only what is required to meet your budget. Keep in mind that PTA's main goal is advocacy for and service to children, not fund-raising. A good rule of thumb is to plan at least three (3) educational activities/programs for each fund-raising activity. Always check on your school district's policy regarding fund-raisers.

Q. What about PTA checking and savings accounts?

A. Alaska PTA and National PTA do not advise PTAs have any more than two accounts-. A savings account and checking (operating) account, both accounts can operate with the same Employer's Identification Number (EIN). At many banks, service fees are eliminated if a minimum balance is maintained.

Q. Should you have savings accounts with large amounts not earmarked?

A. Alaska PTA recommends that savings accounts be used for programs during the summer and fall and to finance approved projects and/or programs as they come due. However, large sums of money in saving accounts must be earmarked for specific projects/programs.

Q. Must we have two (2) signatures on all checks?

A. Yes, two signatures are required, preferably those of the treasurer and one other officer. This is per National PTA as stated in Money Matters, and protects the Treasurer, the Board, and the membership.

Q. Should the principal sign checks?

A. The principal should not be one the persons signing checks.



Q. Is it necessary to file a Form 990EZ to the IRS?

A. You must file IRS form 990EZ if the annual gross income of your PTA units is \$25,000 or more, or if the PTA has received a Form 990EZ with a pre-addressed mailing label from the IRS even though gross income is below \$25,000.

Q. Is there a fine if you neglect to file Form 990 EZ?

A. Yes: \$10 per day up to a maximum fine of \$5,000.

Q. Should the PTA collect money for charitable/humanitarian causes (a family in the school who experiences a house fire, etc.) in the name of PTA or donate money from the PTA account?

A. No. PTAs may not donate money to individuals or other organizations. Money cannot be collected in PTA's name and tax deductions offered because the cause is not part of PTA's education-focused mission. However, a separate account can be set up for that purpose using the social security number of the intended recipient of the money for an EIN. This account will not be tax-exempt unless separate 501 (c) (3) status is obtained for that fund.

Q. Can other organizations in our school use our checking account or our PTA's Employer Identification Number (EIN) to open a new bank account?

A. No. Only PTA funds belong in the PTA accounts. IRS regulations require that other groups or organizations have their own separate accounts and EIN numbers. The PTA is responsible for accounting for all of its funds held under its EIN number to the general membership of the PTA and, when required, to the IRS by the use of Federal Tax form 990EZ.

Q. The audit committee reported that monies had been "lost" from the PTA checking account. This loss can be traced to one individual. The board does not want to do anything about it, and it does not want to report the "loss" to the membership. Instead, the board wants to hold a series of fund-raisers throughout the year to replace the money. Is this Ok?

A. Anytime there is an embezzlement of funds, the board has specific duties it must legally fulfill. There are some options about what actions the board may take, but it must act. It must inform the membership. Action must be taken to recover the funds. Concealing the embezzlement could make the board members coconspirators in this illegal act. The simplest, yet strongest, action the board could take would be to call the police. A local unit should not make arrangements for restitution. Call the Alaska PTA Office for assistance.

APPENDICES

(THESE FORMS ARE SAMPLES ONLY. ORIGINAL COPIES ARE AVAILABLE FROM THE STATE PTA OFFICE.)

- A Financial Timeline Alaska Local PTA Unit
- B AK PTA Treasurers Remittance Form
- C Sample Form SS-4 Application for Employer Identification Number
- D Sample AK PTA Letter of Authorization
- E Check Request Form
- F Individual Member Form for Online Membership Reporting
- G 1-10 AUDIT PACKET / PTA Financial Management/Audit Checklist
- H Sample Certificate of Insurance
- I RECORDS RETENTION SCHEDULE
- J 1-3 Sample Mini-Grant Form
- K 1-12 Form 990EZ/Schedule A Sample IRS Forms and Instructions

- L 1-5 Sample Reports – Basic
 - Budget
 - Ledger Sheets
 - Balance Sheet
 - Budget Compared to Actual

- M 1-5 SAMPLE ELEMENTARY PTA – Computerized (Quickbooks Software)
 - Account Listing
 - Budget
 - Balance Sheet
 - Profit and Loss Actual to Budget

- N Record of Receipts / Cash Count Form