

PTA MONEY WISE HANDBOOK

A Tennessee PTA Guide for Money Management



**Tennessee PTA
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Tennessee PTA Money Wise Handbook

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INTRODUCTION

This handbook has been developed to provide Tennessee PTA units with important information regarding the financial operation of the association.

GOVERNING BODIES

Each local PTA unit has a governing body, e.g., Executive Committee (elected officers), Board of Managers (which includes elected officers and appointed committee chairs), etc. For the purpose of this document, the governing body will be referred to as the **Board of Managers**. As a member of the Board of Managers 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 proper responsibility.

This is known as a **FIDUCIARY RESPONSIBILITY**.

The Treasurer is the 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 and of accounting for unit funds, all officers and chairs 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. Following the policies and guidelines from the National PTA, Tennessee PTA, the State of Tennessee, and the Internal Revenue Service (IRS) will help to reduce questions about the management of the PTA.

THE PTA TREASURER

Taking the Office of Treasurer

- Verify that the books are in the process of being audited before accepting them. All PTA units are required to have their books audited at the close of their fiscal year which runs from July 1 – June 30, or whenever a new treasurer is elected, and can appoint an audit committee to conduct the audit. More about the audit in this handbook. Copies of your audit using our audit form must be uploaded to Givebacks or otherwise submitted to the Tennessee PTA state office **no later than November 1**.
- Obtain and review previous files and records Treasurer. Notify the Board of Managers of any discrepancies found or any records that are not available.
- Review the required Treasurer's duties outlined in your unit bylaws and standing rules and become familiar with any references to finances and budget.
- Study National PTA's Financial Matters to be familiar with your responsibilities.

- Review the Tennessee School Support Organization Financial Accountability Act (SSOFAA). More on this act in the handbook.
- Have the newly elected PTA officers go to the bank and remove the names of the PTA officers who are no longer PTA officers with check signing responsibilities by replacing them with officers who are authorized to sign checks.
- Update the treasurer (and all officer) information in Givebacks or send to state office.
- Check on status of your PTA's insurance policy. General liability, accident medical, bonding, property, officer liability, and identity theft coverage should be considered. All PTA units and councils are highly encouraged to use some type of General Liability, Bonding, and Officer Liability insurance at a minimum either from AIM or an insurance company equivalent to AIM. To find out why your PTA needs insurance, check out the AIM Risk Management Insurance Guide for PTAs located under the Financials section on the Tennessee PTA website (www.tnpta.org).
- Make sure your tax-exempt status is up to date with the Department of Revenue. Tennessee State Laws do not allow you to use your school's tax-exempt number. You will need to contact the Tennessee Department of Revenue if you are not sure about being up to date on your tax-exempt status.
- Make sure the 990-tax form is filed no later than November 15, per IRS standards, or late penalties and interest will be charged to your local unit by the IRS. Failure to file for three consecutive years will result in the IRS revoking your PTA's tax-exempt status. Upload a copy of your 990-tax form or receipt in Givebacks or send to the Tennessee PTA state office by November 20th.

Fiscal Year Duties of the Treasurer

As an elected officer, the treasurer is a representative of the entire PTA, serves on the Board of Managers of the association.

- Review your local PTA unit's bylaws, National PTA and Tennessee PTA documents relating to dues and finance.
- Attend all meetings of the Board of Managers.
- Attend PTA training workshops for Treasurers.
- Develop and maintain a Treasurer's Procedure Manual.
- Maintain an accurate and detailed account for all funds received and paid out, keeping all check request, receipts, bank statements, and canceled checks.
- Submit a written report at every board meeting and at every general membership meeting. The report for the board should include the total balance on hand at the beginning of the month, the separate amounts received and credited to the PTA bank accounts, the state and national portions of dues, special funds (if applicable), other receipts, itemized disbursements, the balance on hand in each fund, and the total balance on hand at the end of the month.
- If applicable, chair the budget committee assisting in the formation of the local unit's budget for the fiscal year.
- Promptly deposit all monies received into your PTA unit's bank account.

- Always have two people count and sign off on all money received.
- **Always have two signatures on all checks.** Even if your check has one signature line and the bank tells you that they do not check for two signatures. Tennessee PTA, School Support Organization State Laws, and many insurance carriers, and some School Board Policies require two signatures on all check and money transactions. This also provides a check and balance process for all money transactions should any questions arise.
- Never sign a blank check or make a check out to “cash” or withdraw cash from the bank. Unless the board has approved this action and it is documented.
- Debit cards tied to your association’s checking account **are highly discouraged** for PTA bank accounts. If one is obtained, you must have written procedures for its use including checks and balances.
- Do not use **peer-to-peer networks** to receive funds such as Venmo/Zelle/CashApp because it is possible to have funds frozen if the platform is used in an unapproved way; tracking and reporting is almost nonexistent; the lack of tax receipts, and no means to transfer an account from person to person. You can use Givebacks, PayPal, and other small business acceptable platforms to receive funds and donations.
- Reimburse only items for which you are given a receipt and only for what has been authorized in the budget and/or in the approved meeting minutes.
- Monthly bank statements must be reviewed and signed and dated by someone on the board who does not have authorization to sign checks.
- Pay national and state dues as instructed by Tennessee PTA and do not hold them in your account for an extended length of time. Monthly dues payments are expected by law from November 1 through June 1.
- Forward the state and national portions of the membership dues to Tennessee PTA via Givebacks or by using the Tennessee PTA Membership Remittance Form. The initial membership payment is due on or before November 1st and then monthly thereafter to June 1st.
- Maintain complete financial records as specified in the Records Retention Schedule
- Preserve all check requests vouchers, canceled checks (request from your bank that you will need a statement copy of your canceled checks required by IRS for non-profit groups), paid bills, receipts, bank statements, and other records in accordance with IRS Regulations. Submit to the auditor or audit committee, the Board of Managers, or membership when requested.
- Deliver to your successor, all books and records, including historical records, promptly at the conclusion of your term of office.

PTA Procedure Manual

Make sure you maintain a Treasurer Procedure Manual and that it is complete for the incoming Treasurer to use for reference and guidance. Important PTA

documents should be kept in this book for the incoming Treasurer to reference and use and to pass on to the new Treasurer.

A Treasurer's Procedure Book should contain at least the following information:

- A copy of the budget adopted by the membership.
- Copies of all treasurer reports from all Board Meetings and General Meetings.
- Checkbook to disburse funds as authorized.
- Payment vouchers.
- PTA deposit forms.
- State tax exempt forms.
- Bank Statements (reviewed by the President, Treasurer, and reviewed, dated and signed off on by a non-check signer).
- A copy of the current bylaws and standing rules with appropriate sections marked.
- Meeting Minutes from your fiscal year and the previous administration.
- Federal Employer Identification Number (FEIN). Should you not be able to find a copy of your number, call the Tennessee PTA State office to obtain a copy of your FEIN number or look at unit information in Givebacks.
- Copies of filed IRS Form 990 EZ or 990 N e-postcard acceptance letter.
- Receipt book to acknowledge money received by the treasurer.
- Treasurer's account books, ledgers, and/or computer software to keep the financial records of the association.
- A copy of this handbook.
- Required historical PTA Financial records as defined in the Records Retention Schedule.
- A copy of all insurance policies, contracts, leases, and approved plans of work.

Principles of PTA Financial Management

- The budget must be 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.
- If electronic methods are used, a written procedure including two authorized signer oversight needs to be implemented.
- All funds are to be deposited into authorized PTA bank accounts.

- PTA funds must be kept separate from school funds or personal funds and should **NEVER** be placed in a school safe. Only place in your PTA safe.
- School funds or funds from another organization cannot be deposited in a PTA account.
- Always issue a receipt for money received.
- Have two people count money.
- Assure current, complete, and accurate record keeping of all funds.
- An auditor or financial review committee conducts a review of financial records at least annually. Have your President consider appointing an audit committee chair who would be a board member all year and a non-check signer reviewer.
- A review of the financial records is conducted in the event the Treasurer or other signature holder leaves office prior to the annual financial review.

“The primary emphasis in PTA should be focused upon the promotion of the PTA Mission and the Purposes of the PTA. The real working capital of a PTA lies in its members, not in its treasury. Fundraising is not a primary function of the PTA.”

-National PTA

Relinquishing the Office of Treasurer

- Make sure all State and National dues have been collected and forwarded.
- Close the books as of fiscal year ending June 30th.
- Provide a final Treasurer Report.
- Have books audited by a professional tax account or set up an audit committee of at least 3 PTA members who are not check signers. Use the Audit Report Form located on the Tennessee PTA website (www.tnpta.org) under the financial section.
- An Audit has two purposes:
 - To certify the accuracy of the books and records of your PTA.
 - To assure the membership that the PTA's resources/funds are being managed in a businesslike manner within the regulations established for their use.
- Arrange for the transfer of all records, reports, and files to the new Treasurer.
- Make sure the bank is aware of the need for new signature cards to ensure the new Treasurer and other officers authorized to sign checks can transfer the accounts in a timely manner.
- Assist the incoming Treasurer in the transition into the position.

PTA Business Procedures

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 and NEVER USE CASH.**

The Tennessee PTA local unit bylaws require two bonded officers: the treasurer, the president or one other designated officer to sign checks or vouchers. Bank signature cards will allow several individuals as authorized signers.

A disbursement form should be used to enhance the record keeping process, classify the receipts, and obtain the confirmation of the chairman or officer responsible for the expenditure.

As part of the required record keeping, AN ORIGINAL RECEIPT or INVOICE should 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 should be used to enhance the record keeping process. All funds should be promptly deposited into the PTA unit's bank account. PTA funds should **NEVER** be deposited into anyone's personal account, nor can the funds ever be deposited into a school bank account or the bank account of another organization.

If the PTA is planning a fund-raising activity, the Treasurer should arrange to deposit the money in the bank as soon as possible. The Treasurer should coordinate with the chairman of the activity to obtain the funds from the activity immediately after the conclusion of the activity. All exchanges of money should be counted by at least two people with both signing a receipt verifying the amount. If the project is a continuing one, the money should be deposited daily in the PTA's bank account.

Federal employer Identification Number (FEIN)

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. It is used for establishing bank accounts and is required for filing tax forms. If you do not know your FEIN either look up your unit information in Givebacks or call the Tennessee PTA office at 865-896-4016. The letter of determination (exemption letter) for all Tennessee PTAs is also on file in the state PTA office.

SAMPLE 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 _____

FINANCIAL RECORD KEEPING

Budgets

The budget is a financial plan that expresses the goals and objectives (the programs, projects, and activities) of the PTA in terms of income and expense.

The Tennessee 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.

- A **budget committee** usually has the responsibility of developing a budget for the PTA. This committee may be elected or appointed according to the PTA bylaws and usually consists of three or five members, one of whom is the Treasurer.
- **Developing the Budget.**

The committee should study the previous year's budget and Treasurer's reports to determine how well that budget met the PTA's needs. Next, they should determine the projected financial requirements, taking into consideration the funds needed for the approved programs, projects, and leadership development. Using these two pieces of information, the committee develops the annual budget, which should show the allocated expenditures for the year's activities, as well as the funds on hand and the anticipated receipts. (It is helpful to have the past three years of budgets, with amount budgeted and amount disbursed, when developing the budget). Beginning with the previous year's budget, the committee should consider the amount for the new budget line item by line item, discussing each to determine if the amount should be raised, lowered or stay the same. Sometimes a line item is no longer relevant and can be eliminated. Often new line items need to be added to meet the needs of the PTA for that year. Budgets cover a one-year period, as determined in the PTA bylaws.

- An **emergency reserve fund** may be maintained by the PTA. As a rule, this reserve should not be more than one-half of a PTA's budget for an average year and should be listed as a Carryover line item in the income section of your budget. Most PTAs carryover only what it needs to operate prior to receiving operating funds from fundraisers, donations, etc.
- **Approving the Budget.**

After the budget has been drafted, the budget committee chair should present it to the PTA Board of Managers for approval. With the approval of the Board of Managers, the budget is presented to the PTA general membership for approval.

This presentation is made during a general meeting where a quorum is determined to be present, often at the beginning of the school year. Since the Board of Managers has approved the proposed budget, it does not require a second from the general membership. A majority vote of the members present and voting is required for adoption. Funds should not be spent until the budget is approved but technically the previous budget can hold over a unit's spending through the summer months.

- At each meeting of the Board of Managers, the **Treasurer's Report** should show the use of budget lines.
- **Approval of Expenditures.**

The adoption of the budget authorizes the Treasurer to pay for routine expenses covered in the budget. Any additional expenditure not provided for in the budget must be approved by the Board of Managers and the General Membership. Changes in the budget, whether in income or expenditures, must be presented as amendments to the budget.

- **Amending the Budget.**

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

Samples in this Handbook

A sample of the Annual Financial Report for the previous year that is presented to the Board of Managers for information and review.

A sample Local Unit Budget. This is the budget that is prepared by the local unit's Budget Committee.

A sample of the Treasurer's Report that should be presented at every Board of Managers meeting.

A sample of the Treasurer's Report that should be presented at every General Membership meeting.

SAMPLE ANNUAL FINANCIAL REPORT**_____
PTA/PTSA
ANNUAL FINANCIAL REPORT**

Balance from Previous year:	Budgeted 500.00	Actual 610.89
RECEIPTS:		
1. Membership Dues	1250.00	1500.00
2. Donations	5,000.00	6,000.00
3. Fundraising		
a. Fall Fundraiser	30,000.00	29,892.50
b. Candy Sale	6,000.00	7,250.00
TOTAL RECEIPTS	42,750.00	45,253.39
DISBURSEMENTS:		
Organizational Expenses:		
10. State & National Dues	687.50	825.00
11. PTA Council Dues	62.50	75.00
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	3,100.00	3,050.75
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. Fund Raising Expenses		
a. Fall Fundraiser	15,000.00	14,946.25
b. Candy Sale	3,450.00	3,387.37
35. Student Activities	<u>6,000.00</u>	<u>5,950.00</u>
Total PTA Objectives	34,900.00	34,960.92
Carryover	500.00	610.89
TOTAL DISBURSEMENTS	42,750.00	40,380.81

SAMPLE BUDGET**PTA/PTSA PROPOSED BUDGET
PROPOSED BUDGET**

Balance from Previous year:

	Budgeted	Actual	Proposed
	500.00	610.89	500.00
RECEIPTS:			
1. Membership Dues	1250.00	1500.00	1500.00
2. Donations	5,000.00	6,000.00	6,000.00
(Local Pizza Night & Fun Run)			
3. Fund Raising			
a. Fall Fundraiser	30,000.00	29,892.50	30,000.00
b. Candy Sale	<u>6,000.00</u>	<u>7,250.00</u>	<u>7,500.00</u>
TOTAL RECEIPTS	42,750.00	45,253.39	45,500.00
DISBURSEMENTS:			
Organizational Expenses:			
10. State & National Dues*	687.50	825.00	687.50
11. PTA Council Dues	62.50	75.00	62.50
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	3,100.00	3,050.75	3,000.00
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	1,800.00
PTA Objectives			
30. Parent Programs	2,000.00	2,000.00	2,000.00
(Open House/Spaghetti Dinner & Come Meet Your Teachers/Cookout Supplies)			
31. Life Achievement & 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. Fund Raising Expenses			
a. Fall Fund Raiser	15,000.00	14,946.25	15,000.00
b. Candy Sale	3,450.00	3,387.37	3,200.00
Student Activities	6,000.00	5,950.00	5,000.00
Summer Contingency	<u>0.00</u>	<u>0.00</u>	<u>2,000.00</u>
Total PTA Objectives	34,900.00	34,960.92	40,300.00
Carryover	500.00	610.89	500.00
TOTAL DISBURSEMENTS	42,750.00	40,380.81	45,500.00

Adopted by Association: _____(date)

SAMPLE BOARD OF MANAGERS TREASURER'S REPORT**PTA/PTSA****Board of Board of Managers (insert date)****General Account:**

Balance, October 7, 20__	958.19
Receipts:	620.10
Disbursements:	445.35
Balance, November 4, 2008	1,132.94

	REPORTING PERIOD	TOTAL TO DATE	BUDGET
RECEIPTS:			
Balance on hand		610.89	610.89
1. Membership Dues	525.00	1,123.50	1,250.00
2. Donations			5,000.00
3. Fund Raising Income			
a. Fall Fund Raiser	95.10	95.10	30,000.00
b. Candy Sales			<u>6,000.00</u>
Total	620.10	1,829.49	42,750.00

DISBURSEMENTS:

Organizational Expenses:			
10. State & National Dues	428.00	428.00	687.50
11. PTA Council Dues		34.20	62.50
12. PTA Publications			50.00
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	3,100.00

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	17.35	73.35	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. Fund Raising Expenses			
a. Fall Fund Raiser			15,000.00
b. Candy Sales			3,450.00
37. Student Activities			<u>6,000.00</u>
Total			34,900.00
Carryover			500.00
Total Disbursements	\$445.35	\$696.55	42,750.00

SAMPLE GENERAL MEETING TREASURER'S REPORT

_____School PTA/PTSA
General Meeting, November 11, 20__
Treasurer's Report

Balance, October 14, 20__ 958.19

Receipts:

Membership Dues	\$525.00
Candy Sale	95.10

Total 620.10

Disbursements:

State & National Dues	\$428.00
Membership Committee (envelopes)	10.00
Hospitality Committee (Oct. Meeting)	7.35

Total 445.35

Balance, November 11, 20__ 1,132.94

BOOKKEEPING

Bookkeeping is the 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. Program software such as QuickBooks, Quicken, etc. have been successful for many PTA units

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 below. 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).
CHECK No. -	the number on the check 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
ACCOUNT 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
DISBURSEMENT-	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

SAMPLE CASH RECORD (GENERAL LEDGER):

DATE	CK No.	TRANSACTION	ACCT No.	RECEIPT	DISBURS	BALANCE
7/1/08	-	Balance brought forward				4,428.47
9/3/08	923	PTA Insurance	15		145.00	4,283.47
9/8/08	--	Deposit Membership Dues	1	598.50		4,881.97
9/9/08	924	PTA Council - Dues	11		34.20	4,847.77
9/10/08	925	PTA Council - Workshop Regis	13		36.00	4,811.77
9/10/08	926	Jane Doe - Hospitality Exp.	21		8.00	4,803.77
9/10/08	927	Mary Smith - Membership Exp.	21		10.00	4,793.77
10/3/08	928	Bob Brown - Supplies-paper	20		38.00	4,755.77
10/15/08	--	Deposit - Membership & Candy	1,3a,4	625.81		5,381.58
10/15/08	929	Jane Doe - Hospitality Exp.-Oct	21		7.35	5,374.23
10/15/08	930	Mary Smith - Membership	21		10.00	5,354.23
10/30/08	931	TN 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.

A sample deposit ledger page is provided below 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
BAZAAR -	the amount of the deposit that is from bazaar receipts
SALES TAX -	the amount of deposit from sales tax

SAMPLE DEPOSIT LEDGER:

DATE	TOTAL DEPOSIT	MEMBERSHIP	INTEREST	CANDY SALE	BAZAAR	SALES TAX
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)
CHECK No. –	the number on the written check.
TRANSACTION –	the payee of the check or bank charge (same as defined for cash record).
DISBURSEMENTS–	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 disbursements 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.

SAMPLE 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 Managers meeting	7.35	15.35	684.65

DISBURSEMENTS

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 it is a requirement to show accountability to the IRS.”

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

WORKING WITH THE PTA MEMBERSHIP CHAIR

The Treasurer and the Membership Chair should work together to forward the state and national portions of the membership dues via Givebacks to the state office on a monthly basis. Dues should not be held for long periods of time at any level. All individual members and their contact information **must be entered** into Givebacks.

Tennessee PTA submit dues to the National PTA headquarters on a monthly basis. This is why units are required by bylaw to submit monthly dues November 1st through June 1st.

The state and national portions of membership dues do not belong to the local PTA and are never recorded as part of the local PTA's income, but they should be recorded as accounts payable within your financial records.

PTA Dues:

The dues for PTA include the Tennessee PTA portion, established by the Tennessee PTA bylaws; the National PTA portion, established by the voting body at National PTA Convention; and the local portion, established by the local PTA bylaws, which may include a portion for a local Council (where applicable). **An individual who pays dues to a local PTA automatically becomes a member of the Tennessee and National PTAs.**

Because each PTA has a unique set of activities that are different from the activities of every other PTA, people belonging to more than one PTA pay dues to each local PTA of which they are members.

The Tennessee and National levels of PTA provide several services that benefit every local PTA. The provision of these services—including national child advocacy and government relations, leadership development, program planning and execution, and resource development, incur costs that are largely borne by a small portion of the local membership dues. Every local PTA contributes its share for these expenses.

Since the PTA is an independent, private association, all monies raised from the local per-capita portion of dues and through additional efforts and other assets, including checking accounts, savings accounts, and certificates of deposit, are the property of the local PTA.

Local PTA bylaws establish how the amount of the annual dues for membership in the association is determined. The total dues collected for each member includes the local unit, council (where applicable), Tennessee, and National portions of the membership dues.

FEDERAL TAX REQUIREMENTS

(Note: Refer to www.irs.gov for the latest updated requirements and information)

All local PTA units are subject to the reporting requirements of the Internal Revenue Service. The IRS will revoke your PTA's tax-exempt status if you fail to file the required tax forms for three consecutive years.

The specific form required to be filed by any local unit is determined by the level of its finances. The following detailed information for each form is provided to give you an idea of which reporting requirement is appropriate for your unit. Additional information concerning federal requirements can also be found in National PTAs *“PTA Finance 101”*.

Information Return of Organization Exempt from Income Tax—IRS Forms 990 and 990-EZ:

Local or council PTAs may be required to file an annual information return of their income and expenses on Form 990 (Information Return of Organization Exempt from Income Tax) and other related information forms provided by the IRS, such as Schedule A and Form 990-T. The IRS normally sends such forms to tax-exempt associations, but the responsibility of filing lies with the PTA Treasurer, whether or not such forms are received.

- If a PTA receives a Form 990 package in the mail, with an addressed mailing label, but is not required to file because its annual gross income is normally not more than **\$50,000**, the Treasurer should proceed as follows:
 - Attach the label in the name and address space on the Form 990.
 - Check box K (in the area above Part 1) to indicate that the PTA’s gross receipts are below the \$50,000 filing minimum.
 - Sign the return.
 - **Keep a copy for the PTA’s permanent records** and send the original to the area IRS service center by registered mail.
 - The Treasurer does not have to complete Parts I through IX.
- If the PTA’s annual gross receipts are normally more than \$50,000, the PTA has an obligation to complete and file Form 990 and Schedule A, whether or not it received them in the mail.
- If in any year the PTA’s gross receipts are less than \$200,000 and total assets are less than \$500,000, the Treasurer may file Form 990-EZ instead of Form 990.
- Forms 990 and 990-EZ are due by the 15th day of the fifth month after the close of the PTA’s fiscal year. For example, if the PTA’s fiscal year-end is June 30, the form is due no later November 15 but can be filled any time after the end of the fiscal year.
- If the return is filed late, a penalty of \$20 a day may be charged. The penalty is not to exceed the lesser of \$10,000 or 5 percent of the association’s gross receipts for the year. Also, a penalty may be charged if the return is filed incorrectly or incompletely.

- If the PTA is required to submit a completed Form 990 or 990-EZ, it must submit a Schedule A as well (501(c)(3) organizations are not required to file Schedule A, but must file a Form 990 or 990-EZ as required).
- If the PTA makes more than \$1,000 in unrelated business income, it must file a Form 990-T as well.
- If the PTA has made significant changes to its bylaws (i.e., change in fiscal year, change in governance/structure), a copy of the updated bylaws should be submitted to the IRS with the completed Form 990 or 990-EZ.
- If the PTA wishes to request an extension of time to file Form 990 or 990-EZ, it should complete and file Form 8868 with the IRS before the deadline determined by the close of the PTA's fiscal year.

Form 990-N Annual Electronic Filing Requirement (e-Postcard):

A small tax-exempt organization whose gross receipts are normally **\$50,000 or less** is required to electronically submit Form 990-N, also known as the e-Postcard. The e-Postcard is due every year by the 15th day of the 5th month following the close of your association's tax year.

Items You Need to Know to File the e-Postcard:

- Employer identification number (EIN)—also known as TIN
- Tax year
- Association's legal name (*Tennessee Congress of Parents and Teachers Inc., since your PTA uses Tennessee PTA's 501(c)(3) status*).
- Any other names the association uses and mailing address (This will be the official name of your PTA)
- Name and address of a principal officer
- Website address of the association (if there is one)
- Confirmation that the association's annual gross receipts are normally \$50,000 or less
- If applicable, a statement confirming that the association has dissolved or is dissolving

*If you need additional information on these requirements and updates on the electronic filing system, please visit the IRS website at **www.irs.gov**.*

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. Tennessee PTA is obligated to notify IRS when a group is no longer considered a PTA.

Public Inspection Requirements:

Any PTA that files a Form 990, 990-N, or 990-EZ must make the return available for public inspection during the three-year period beginning with the date it is due, including extensions. All parts of the return and all required schedules and attachments other than the schedule of contributors to the association must be made available. Inspection must be permitted during regular business hours at the association's principal office. If the association does not maintain a permanent office, it must provide a reasonable location for a requester to inspect the association's annual returns. The association may mail the information to a requester; in such cases, the association may charge for postage and copying only if the requester gives up the right to a free inspection.

For a request made in person, the PTA must respond immediately. For a request made in writing, the PTA must provide the requested copies within **30 days** and may charge a reasonable fee for reproduction and mailing costs. PTAs may file their 990s with services like GuideStar or post their 990s on their website in a PDF format for easy public access.

Any PTA that does not comply with the public inspection requirement will be assessed a penalty of \$20 for each day that inspection was not permitted, up to a maximum of \$10,000 for each return. No penalty will be imposed if the failure is due to reasonable cause (determined by the IRS). Any PTA that willfully fails to comply will be subject to an additional penalty of \$1,000.

All inquiries should be reported to the Tennessee PTA.

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 Tennessee PTA office at 615-383-9740 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, award or scholarship.

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 send the payee a Form W-9, Payer's 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.

SAMPLE FORM - COLLECTING 1099 MISC INFORMATION

Nashville Elementary PTA
3000 Nashville Way
Nashville, Tennessee 37212

Effective January 1, 1984, Federal Law requires back-up withholding must be made on payments to vendors for which we have not been furnished a 9-digit Social Security Number (SSN), or a Federal Employer Identification Number (FEIN).

Please complete the following information. We are required by law to obtain this information from you when making a reportable payment to you. If you do not provide us with this information, your payments may be subject to federal income tax back-up withholding. Also, if you do not provide us with this information, you may be subject to a \$50.00 penalty imposed by the Internal Revenue Service under section 6723.

INSTRUCTIONS: Find your tax status and fill in the boxes to the right of your tax status. Sign and date the form.

	Individual's Name	Individual's SSN
Individual:	_____	_____
	Business Owner's Name	Business Name
		Business Owner's SSN
Sole:	_____	_____
	Name of Partnership	Partnership's FEIN
Partnership:	_____	_____
	Name of Corporation	Corporation's FEIN
Corporation:	_____	_____
	Reason: Government Agency, Non-Profit Organization, etc.	
Exempt:	_____	
Address:	_____	
_____	_____	_____
Signature	Date	Telephone Number

Please return this form in the pre-addressed envelope to:
Nashville Elementary PTA
3000 Nashville Way
Nashville, Tennessee 37212
Attn: PTA Treasurer

THE PTA AUDIT

Audits

- **What is an audit?** Auditing involves following financial transactions through records to make sure that receipts have been properly accounted for and expenditures were made as authorized in the minutes and in conformity with PTA bylaws, standing rules, and budget limitations.
- **The Purpose of an Audit:** To certify the accuracy of the books and records of the organization and to assure the membership that the association's resources/funds are being managed in a businesslike manner within the regulations established for their use.
- PTA bylaws indicate when an audit is to be made, its procedure and when it should be reported to the membership. Records should be audited *at least once a year*. Books should also be audited if a financial officer resigns, before the new financial officer assumes his or her duties, and at any other time deemed necessary.
- Audits may be performed by a professional firm (who may charge for the service or donate the service) or by an internal audit committee. The process for selecting or electing individuals to serve on the internal audit committee or for retaining a professional firm (with nonprofit accounting experience) will also be found in the bylaws of the PTA.
- Financial records should be put in order for the auditing process shortly before the end of the fiscal year
- Upon assuming office, the incoming treasurer may deposit funds in the PTA bank account
- **The Tennessee PTA requires that a copy of the audit be uploaded to Givebacks or sent to the state office no later than November 1.** The IRS is now requiring that the Tennessee PTA keep a copy of all local unit and council audits on file since they are included under the Tennessee PTA 501(c)(3) umbrella. An Audit Report Form is available on the Tennessee PTA web site (tnpta.org) under the financial section.
- The audit should be completed as quickly as possible!

Preparing for the Audit:

The treasurer shall deliver the following items to the auditors:

- A copy of the last financial review
- Checkbook and canceled checks
- Bank statements and duplicate deposit receipts
- Treasurer's Reports
- Income Ledger

- Expense Ledger
- The Annual Financial Report
- Copies of all bills, invoices, or receipts for which a check was written
- Check requests/vouchers
- Copies of general membership and Board of Managers minutes that would include an adopted budget, as well as any amendments that were approved during the year
- Current bylaws and standing rules
- Any other material or information requested by auditor/audit review committee

Audit Procedure:

1. Start the audit with the records posted after the last audit. Check to see if the amount shown on the bank statement corresponds to the starting balance recorded in the checkbook and ledger.
2. If a large number of transactions are evident, you can do a sample test of transactions. The size of this sample should be based on the size of the organization. If mistakes are found, the sample should be broadened to take in more transactions. At some point, it may be deemed necessary to audit all the transactions of a PTA. Some items to look for:

Monthly bank reconciliation:

- Unexplained reconciling items
 - Unusual endorsements on checks
 - A match of check endorsements to payees
 - Disbursements not supported by invoices or other documentation
 - Blank checks secured in a safe place
 - Deposit ticket dates timely with dates received by bank
 - Timeliness of deposits based on known dates of events
 - All invoices paid by check and not cash
3. Make certain that state and national portions of the membership dues have been kept separate from other receipts and forwarded immediately to the state office.
 4. Make certain that money collected for a specific purpose (special projects, Founders Day gift, scholarship funds, council dues, etc.) has been so disbursed.
 5. Check the Treasurer's reports and annual report for accuracy.
 6. After any errors have been corrected by the Treasurer, and the President is satisfied that the financial accounts are correct, draw a line across the ledger where the audit concludes, and sign and date the ledger using a different color ink: "Examined and found correct. (Name), (date)."
 7. If all is in order, the auditor or audit committee should prepare a statement, and the auditor or each member of the committee should sign it. A sample statement might read, "The auditing committee has examined the records of _____ PTA for the period of (time covered) and found them to be correct. Balance on hand: \$ _____. (Signatures of committee). **The**

Tennessee PTA requests that the committee use the Audit Report Form provided and submit a copy to the state no later than November 15.

8. The audit committee also must submit a report in the event that there are not adequate records available to conduct a proper accounting of the association's funds. A sample statement might read, "The auditing committee has examined the records of ____ PTA and found that more adequate accounting procedures need to be followed so a more thorough audit report can be given." The auditing committee should indicate the information that is needed.
9. The audit report must be officially adopted by the association and must be included in a completed annual report covering the association's entire fiscal year. If the report states that additional information and verification is needed, the requested information should be provided by the Treasurer.
10. If the validity of the audit report is questioned, an independent certified public accountant should be engaged. At any time during the process, the state PTA may be contacted for information or assistance.

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 all financial review committee members and forward to the Board of Managers.

The financial review committee investigates, examines facts, draws conclusions from the facts, and presents a written report of its work to the Board of Managers. The Board of Managers receives the report and has the obligation to act upon the report. **An important part of the Board of Managers legal responsibility is to report the results of the annual financial review to the membership.**

FUNDRAISING AND THE PTA

"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 2011-2012 Money Matters

What constitutes a fundraiser?

A fundraising activity is generally defined as the sale of tangible personal property or taxable services from which the PTA unit gains operational funds.

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, use for teacher appreciations, 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.

PTA funds should always be used to further the PTA charitable and educational purposes. Appropriate use of funds includes student-oriented programs in priority areas such as health, safety, juvenile protection, parent/family involvement, cultural arts, environmental education, PTA training, and advocacy efforts on behalf of children and youth. Funds provided by the PTA should not be used to fund school system responsibilities or be commingled with school funds of any other organization.

DO IT RIGHT - ONCE AND FOR ALL:

If a school's 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 fundraising. 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 when it breaks, you have to raise more money to buy another.*

FUNDRAISING GUIDELINES

Fundraising 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 sales-persons.
- Class time should never be used for fundraising.

- Gambling raffles (Games of Chance), 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. Tennessee State laws have strict regulations on these types of activities.
- PTAs should not sponsor fundraising events where alcoholic beverages are consumed as they may place the PTA at risk for liability.
- 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.

How many fundraisers can we have in a year?

Tennessee Code Ann. 67-6-102(8)(B), commonly known as “the Girl Scout Cookie Law”, provides that non-profit 501(c)(3) organizations may hold no more than two temporary sales periods, of no more than thirty days in duration each year and be exempt from the sales tax on the purchases and sales of the property. However, if the organization holds three or more fundraising events during the year, outside of the two thirty-day sales periods, the exemption is lost for the first two sales periods and all sales are taxable. The actual law reads as follows:

Exempt for Fundraising purposes

PTAs exempt*

501(c)(3) organizations exempt**

* The public or private school or school support group will pay Tennessee sales or uses tax on tangible personal property purchased for sale at the fundraising event, but the resale of such property at the fundraising event is exempt from sales tax, so the school or school support group will not collect sales tax from the consumer. A school or school support group must obtain an exemption certificate from the Department of Revenue in order to make tax exempt purchases of tangible personal property for their own use. However, an exemption certificate should not be used to make tax exempt purchases of tangible personal property for resale at fundraising events (See Tenn. Code Ann. (67-6-102(28)(h) and Tenn. Comp. R. & Regs. 1320-5-1-09)

**Fundraising sales by these organizations, or any organization would be exempt from Tennessee sales tax if the tangible personal property is not regularly sold by the organization or is sold only during a temporary (30 consecutive days or less) sales period that occurs not more than 2 times each year. In such a case, the organization will pay sales tax on the purchase price of tangible personal property that it purchases for resale at the fundraising event. If the tangible personal property is regularly sold by the organization, or if the organization holds more than 2 temporary fundraising events each year, then all fundraising sales made by the

organization during the year are subject to sales and use tax. (See Tenn. Code Ann. 67-6-102(8)(B) and Tenn. Comp. R. & Regs. 1320-5-1-09 and 1320-5-1-51(2))

SOME EXAMPLES OF ACCEPTABLE FUNDRAISERS (Other than typical cookie, candy, gift product, and wrapping paper sales):

- Festivals and Carnivals
- Book Fairs and Street Fairs
- Athletic Events and Field Days (your general liability insurance may not cover athletic events)
- Walk-a-thons and Pledge Walks
- Dramatic Productions, Musical Programs, and Talent Shows
- Family 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 fundraisers that a PTA could engage in. If in doubt about the acceptability of a fundraising project, please contact the Tennessee PTA state office.

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

Also remember the 3:1 Rule:

When planning fundraising activities for the year, remember that there should be at least three projects aimed at helping parents or children or advocating for school involvement for every one fundraising activity.

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 fundraising 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** (Read EVERY word - if you don't understand it, ask a neutral party who does). Oral contracts, which are legal in Tennessee, do not permit an accurate statement of the original agreement. Be wary of any vendor who will not put into writing in 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 the services cost? When are payments due? Is time a factor?
4. **Duties and obligations of both parties.** Who is going to deliver what? How and where?
5. **The contract should be in the name of the PTA.** A PTA's contracts should always be in the name of the PTA - **not** the school, not the principal, not the fundraising chairman, etc. The contract is signed by the President only at the approval of the Board of Managers.

(The Name of the PTA) _____ PTA

A Signature and Title of the Signer(s)

"By Direction of the Board of Managers"

The length of the contract must be limited to the term of the participating Board of Managers members so as not to project an undesired obligation onto future boards.

6. **Conditions and stipulations.** Does anything have to happen before the contract goes into effect i.e. insurance rider? If use of a facility is involved, does it meet standards such as handicapped accessibility, air standards, fire safety, exclusive limitations, etc.? How does the PTA cancel, and are there any cancellation costs?
7. **Terms of contract.** How much time do the parties have to perform? How long will the arrangement continue? Are there any minimum purchase requirements?
8. **Documents related to the contract.** Are there any related documents that should be integrated or expressly superseded?
9. **Subcontractors.** Does the contract require the PTA's approval of the use of subcontractors or can the other party decide someone else will perform the task without telling you?
10. **Applicable Law/Governing Laws.** Which state's laws will be used to interpret the contract? Is it the state where the PTA is located or another state? Do sales tax or charitable solicitation taxes apply?
11. **Enforcement.** What happens if the other party doesn't perform? What happens if the PTA doesn't perform? Does the agreement include a dispute resolution provision? Does it provide only for litigation in the event of a dispute? Mediation? Binding arbitration?
12. **Date of contract.** When does the contract become effective and when does it end?

13. **Legality.** A PTA cannot enter into a contract that contemplates any illegal activity.

Other Legal Implications:

In addition to tax and regulatory issues, PTAs should also consider the following when considering fundraising activities.

Product Liability: Liabilities arising from the provision of a product 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.

Personal Injury Claims: A volunteer who is injured while engaging in a fundraising activity may attempt to hold the PTA responsible.

Contract Liability: Like any legal document, a PTA's contracts are binding on the PTA and failure to faithfully perform under a contract could create liabilities for the PTA.

PROPER USE OF PTA FUNDS

For many years, PTA leaders throughout Tennessee have asked for detailed guidelines on how PTA funds should and should not be spent. The following list was approved by the National PTA and outlines potential uses for PTA funds in Tennessee.

PTA FUNDS SHOULD BE SPENT ON: (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 Tennessee 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.

Reflections - Sponsorship of Reflections programs, in particular, the National PTA Reflections program.

Family Engagement Nights - 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 fundraiser.

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 council, State, and National levels. (i.e. Registration, transportation, meals, parking fees, etc.) Note: Should PTA funds be used for training, a report should be given to the local unit or council.

Legislative Activity – Local PTA units, Tennessee PTA, 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 Tennessee PTA 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 PTA dues, Tennessee PTA dues, and Council dues (where applicable).

PTA Newsletters - Development, production, reproduction, distribution and mailing costs.

PTA Publications - All officers and the principal should receive subscriptions to "Our Children", the "Tennessee 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.***

Volunteer Appreciation - Celebrations, refreshments, certificates, plaques, etc. to reward ALL of your hard-working volunteers.

CAUTIONARY USE OF PTA FUNDS: (All of these items listed below 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
Budgets	10 years
Bylaws	Permanently
Cash Receipt Records	7 years
Charitable Solicitation Certificate	Permanently
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
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
Minute Books	Permanently
PTA Charter	Permanently
Purchase Orders	7 years
Sales Records	7 years
Standing Rules (current)	Permanently
Tax-exempt status documents and all documents and correspondence dealing with the IRS	Permanently
<i>(For a more detailed breakdown refer to National PTA Money Matters Quick Reference Guide)</i>	
Trademark Registrations.....	Permanently

MISSING FUNDS and/or EMBEZZLEMENT OF PTA FUNDS

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

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

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

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

The first and most important step is to do a financial review of the financial books and records of the association.

No proof of wrongdoing exists and no allegation of wrongdoing can be made until the PTA ascertains that funds have been improperly handled or are missing.

The financial review committee reports its findings to the Board of Managers.

The Board of Managers receives the report of the financial review committee and has the obligation to act upon the report. This is often a very difficult step because it may involve an accusation against a PTA member. If funds are missing, the Board of Managers must take every reasonable step to collect or recover the missing funds. Every action taken by the board must be done at a properly called meeting of the Board of Managers and all the actions must be recorded in the minutes of the meeting.

The persons involved should have a private hearing with the Board of Managers of the PTA and have an opportunity to explain what has happened.

The local unit may contact Region Director (where applicable) and Tennessee PTA President for assistance in resolving the situation. It may be necessary to consult legal counsel and/or the PTA's insurance bonding company. Some situations can be handled through Small Claims Court; some may require other legal action.

Theft is breaking the law and should be handled as a serious offense. Embezzlement is the same as ordinary theft. The charges are criminal and need to be filed with the police department. It is important to know that it is the responsibility of any PTA member 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 Managers.

OTHER PTA TOPICS

THE MISSION OF THE PTA:

“To make every child’s potential a reality by engaging and empowering families and communities to advocate for all children.”

PTA 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 your PTA can be found in your bylaws and is one of the Bylaws Articles mandated by the Tennessee PTA.

It is advisable to have the fiscal year end when business is slow. Usually, for PTAs, this will occur in mid-summer (June 30).

If you are in the process of revising your bylaws, the July 1 date would be an excellent time for new officers to assume their duties as well as for the new fiscal year to begin since they would then serve for a full fiscal year. This also benefits the financial review process as well as tax form preparation.

If a PTA changes its fiscal year, it must inform the IRS.

If your PTA has filed a tax return, please look into the need to file a return for a partial year before amending the fiscal year in your bylaws.

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. A donation letter stating what was given to the school should be in your minutes, when a donation is made to the school or district.

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 can only then provide the money and allow the school district to make the purchase after these four steps have been followed.

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.

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 District 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

Date: _____
Principal

SAMPLE HOLD HARMLESS AGREEMENT

The _____ PTA presents to the _____

School the equipment described below (the "Equipment"):

The school hereby agrees to:

1. Accept ownership of the Equipment as of the date set forth below.
2. Accept responsibility for the installation, operation and maintenance of the Equipment.
3. Hold the PTA harmless from and against any and all claims, damages, liabilities, costs, and expenses arising out of the school's acceptance and use of the Equipment.
4. Maintain the Equipment in good working order at _____
for a period of no less than _____ years.

Date: _____

PTA Officer

Date: _____

Principal

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

FREQUENTLY ASKED QUESTIONS

If you have a question about the finances in your organization, contact your state PTA or National PTA headquarters. Following are answers to some of the more frequently asked questions.

Q. With all this attention being paid to IRS Tax requirements, has any PTA in Tennessee ever been audited by the IRS?

A. YES

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

A. You would become a unit not in good standing with Tennessee PTA. Failure to pay these dues will lead to a situation where the Tennessee 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. All their assets would need to be turned over to Tennessee PTA. **The bottom line is: If you want to be a PTA, you must pay your dues to the Tennessee PTA and National PTA.**

Q. I’ve been having trouble getting my Board of Managers to approve a budget that contains a significant amount of money appropriated for Leadership Training - attending our Council’s workshops and the Tennessee PTA’s Annual Convention and Statewide Leadership Training. 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 a PTA’s insurance policy. You will need to contact the insurance provider for the proper forms if your PTA is covered by insurance. Policies are available through companies like AIM Insurance.

Q. Our PTA would like to sponsor a field trip to a Redbirds Baseball game 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. *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 a Disbursement 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.

Q. *My PTA has many members of the Board of Managers 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 Tennessee PTA Annual Convention, the Tennessee PTA Statewide Leadership Training, and the National PTA Convention, is controlled by how much money has been budgeted for leadership training and as stipulated in your local unit bylaws/standing rules.

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 your unit will get in return for its investment?”

q: *Does a PTA or school hosting a movie night need to pay a special charge or receive a special permit?*

A: Yes. Movies are protected by copyright. A special license must be purchased to show movies to large groups. Movies shown in schools are not considered educational events. Go to the Movie Licensing USA website, movlic.com/k12/schools.html, for more information. Movie Licensing USA is the sole licensing agent for most of the major studios.

Q: *Where can I find a list of what we can and cannot spend money on?*

A: There is no published list from either the National PTA or the IRS. Your mission and your 501(c)(3) (tax-exempt) status should guide your decisions. Expenditures from the

PTA budget **must** support the PTA mission. If there is a question about an expenditure, a good rule of thumb is to authorize the expenditure only if you could defend the expense to the IRS in case of an audit. You can find additional resources that address this issue on the IRS website.

Q: What if the IRS contacts me?

A: Whenever the IRS contacts you, read their letter carefully. Be certain you understand their request or concern. Gather all of the facts related to the issue or concern addressed in their letter. Mark the deadline issued in the letter and do not miss it. Contact the IRS, if necessary, and ask for clarification if the request or issue is not clear to you. Be certain to get the name and serial number of the agent assisting or answering your questions. Take notes of the conversation; the agent with whom you are speaking is taking notes and recording the call.

Q: What is the PTA's position about councils/local units establishing a PayPal type account to pay bills electronically?

A: Paying bills through PayPal or by a Debit/Credit card are very dangerous and opens PTAs up to greater risk of theft or fraud. It is too tempting in today's economy for some to use these tools for personal use. These tools also take away internal controls that are set up to protect your member's finances.

Q: Our PTA is considering raffling a few of our big items during our silent auction is this allowed?

A: Tennessee has very strict laws concerning Raffles and Games of Chance and has a Tennessee Charitable Gaming Implementation Law. PTAs should not do Raffles because 501(c)(3) organizations have to get permission to operate an annual game of chance, and according to the Division of Charitable Solicitations and Gaming, "All organizations must be approved by two-thirds vote of the General Assembly to hold a Game of Chance."

Due to the limitations and complicated nature to try to get a Raffle approved with the State of Tennessee, Tennessee PTA would not recommend or support holding a Raffle Event. You can still include all items within the silent auction and forgo the raffle part.

School Support Organization Financial Accountability Act (SSOFAA)

In 2007, Tennessee enacted the School Support Organization Financial Accountability Act (SSOFAA) which went into effect on July 1, 2008, and governs groups or organizations that raise money in the name of a school to support the school and its students, including PTAs (cited specifically in the legislation).

The Tennessee Board of Directors has adopted a position statement about the inclusion of PTAs into these laws. Please read and if possible advocate for the change outlined in the position statement: Read the statement at

https://tnpta.org/positions/school_support_act_position_statement.pdf

The law is intended to:

- Promote accountability for school support organizations;
- Protect the school support organization members from certain personal civil liability through incorporation;
- Promote consumer and donor confidence in the school fundraising process by outside support organizations; and
- Provide legitimacy to school support organizations.

As it stands now, every PTA is considered a SSO and must:

- I. Comply with the local board school support organization policy.
- II. Maintain bylaws.
- III. Keep minutes of meetings.
- IV. Maintain a copy of your charter.
- V. Maintain detailed statements of receipts and disbursements.
- VI. Adopt and maintain a written accounting policy for your PTA.

As an SSO, a PTA may not:

- I. Use the school or district sales tax exemption to purchase items;
- II. Bind the school or school district to any contracts or financial obligations;
- III. Maintain or operate a bank account that bears the EIN of a school, school board or district; or
- IV. Use its funds for a purpose other than those related to its goals and objectives that relate to supporting a school district, school, school club, or school academic, arts, athletic or social activity.

A “school representative” is:

- I. A school board member;
- II. The director of Schools;
- III. A principal;
- IV. Any school or school system’s bookkeeper; OR
- V. Any individual who works for the school system who, as a part of their employment by the school system is charged with directing or assisting in directing the related school club or activity... **specifically including but not limited to coaches, assistant coaches, band directors, or any other school sponsor of a related club or activity.**

A school representative may not act as a treasurer or bookkeeper for your PTA and may not be a signatory on the checks of your PTA. Furthermore, a majority of the voting members of your PTA board should not be composed of school representatives.

For fundraising, a principal may allow your PTA to turn in fundraising money during school and it may be collected by teachers and turned into a designated PTA member...HOWEVER, the money must be turned in using **SEALED ENVELOPES**.

In summary, your PTA must:

- I. Maintain your charter and keep an exemption form.
- II. Maintain organizational structure through bylaws and officers.
- III. Adopt an accounting and financial policy.
- IV. Get permission from the director of schools or his/her designee before conducting a fundraiser.
- V. Keep up with records for 4 years.
- VI. Document and maintain a detailed list of receipts and disbursements.
- VII. Annually file a statement of total revenues and disbursements with the director of schools or his/her designee before the end of the school year.
- VIII. Maintain adequate separation of duties between PTA officers and school representatives.



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**Courtesy credit to National PTA, other state PTA units and our 2023-2025 state board members for your help with completing the updates on this Treasurer Hand Book.*