



MANAGING YOUR NONPROFIT PTA HANDBOOK

Abstract

Managing Your Nonprofit PTA provides guidelines for responsible fiscal management of local PTAs and councils. This handbook will help board members develop a basic understanding of the procedures and processes which should be in place to help assure the proper, prudent, and diligent management of the PTA's financial resources.

Audience

All PTA board members.

Washington State PTA

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1. Introduction

Managing Your Nonprofit PTA is written for elected officers and boards of directors. Its purpose is to provide guidelines for responsible financial management. The entire board of directors, not just the treasurer, is responsible for the financial well-being of the PTA. This handbook will help board members develop a basic understanding of the procedures and processes which should be in place to help assure the proper, prudent, and diligent management of the PTA's financial resources.

Managing Your Nonprofit PTA outlines basic financial procedures which will help ensure funds are properly administered and safeguarded. It will also mention legal, tax, and insurance requirements to which the board of directors should turn its attention. This handbook should be used in conjunction with other WSPTA publications, including the *Treasurer* handbook, *PTA and the Law*, *Washington State PTA Uniform Bylaws*, and other WSPTA leader resources.

2. Duties of a nonprofit board member

Each elected member of a nonprofit board has three legal duties, collectively known as their "fiduciary" duty. A fiduciary is a person who holds something in trust for another. A PTA board is charged with holding the well-being of the PTA in trust for its members. The three legal duties are:

- **Duty of Care:** to pay attention to the organization's activities and operations;
- **Duty of Loyalty:** to put the interests of the organization before personal and professional interests;
- **Duty of Obedience:** to comply with applicable federal, state, and local laws; adhere to the organization's bylaws; and remain the guardians of the mission.

In addition to this handbook, there is one important WSPTA resource that directly addresses these legal requirements: *PTA and the Law*. *PTA and the Law* is a class that is offered yearly across Washington. It has accompanying resources that are available only through that class. One elected officer from every PTA and council must take *PTA and the Law* yearly, in accordance with the WSPTA standards of affiliation.

3. Oversight responsibilities of the board

3.1 Monthly review of financial reports

A detailed, written financial report must be provided to the board every month, either at a meeting of the board of directors or the membership. If the board or membership does not meet in a given month, a report should be delivered to each board member (email is fine). This report should be written in sufficient detail to

clearly show how the PTA received its income and how it spent its funds. It should be prepared in the same format as the annual budget.

One way the board can exercise reasonable care is in its consideration of the monthly financial reports. The board should take time at each meeting to carefully review all bank statements and financial reports that have been provided to them since the last meeting.

The board should:

- Receive bank statements and a current financial report every month.
- Compare the beginning balance of a financial report to the ending balance of the prior month's report to assure that they are the same.
- Compare the balance shown on the financial report to the bank statement balance to be sure it is reasonably close.
- Be sure that income and expenses related to recent events are reflected in the payments and deposits shown on the financial report.
- Check to see that the beginning balance, plus all income, minus all expenses, equals the ending balance.

3.2 Independent review of bank statements

Before being sent to the treasurer, all bank statements should be reviewed by a board member who is not an authorized signer on the account. Association Insurance Management (AIM) bonding insurance requires that bank statements be reviewed, signed, and dated monthly by a person who does not have authorization to sign checks. This can be accomplished by having the statement sent to the president or another officer who provides it unopened to the reviewer.

The reviewer's job is to be the first to open the bank statement. It should be an original statement. He or she should look at the activity shown on the statement to see that it matches the current activity of the PTA. An example would be: the PTA recently had a large fundraiser. The bank statement should show several large deposits.

The reviewer should look at the photocopies of the checks, if included on the bank statement, to verify that the checks are not made out to inappropriate places like a cable company or mortgage company. If checks are not shown on the statement, the reviewer may request to look at them online.

The reviewer should verify that if electronic payments were made, that two signers pre-approved the payment, and that the electronic payment process is clearly stated in the standing rules. Then he or she should sign and date the statement, acknowledging that the items above were reviewed.

For online-only accounts where hard-copy statements are not provided, one or more non-signatory board members may be given “read-only” online access to the account, with the expectation that transactions be reviewed online at least monthly, if not more frequently, and the results of the review reported to the board.

If an electronic statement must be used, a non-signatory board member who has “read-only” access would download and print the bank statement. The non-signer would review the statement for activity and potential red flags, sign, and date the bank statement, then give it to the treasurer to file.

3.3 Review of annual reports

The annual financial report is important for the following reasons:

- It is a permanent part of a PTA’s records.
- The annual report provides the PTA’s financial review committee with crucial information to help it complete its task.
- It provides PTA leaders with data to evaluate the actual performance of the PTA against the budget that was developed.
- It is a valuable tool for developing future budgets.
- It provides the basis for completing the PTA’s IRS Form 990-N, 990-EZ or 990 for the current year, as well as the charitable solicitations report.

While the annual report provides financial information, it can also be used as a marketing tool to demonstrate to members how hard the PTA has worked and the good things it has accomplished for children in the school or community.

3.5 Duties and responsibilities of the president

- Presidents should be familiar with the material in this handbook, the *Treasurer handbook*, *PTA and the Law*, *Washington State PTA Uniform Bylaws*, and with their own PTA’s current budget and standing rules.
- Ensure that online banking passwords are changed so that only current officers have access, current check signers have authorization to create payments, and that secure internal financial controls are written in the standing rules and policy.
- Ensure that at least one elected officer attends PTA and the Law, and all other elected officers attend at least one approved WSPTA training prior to WSPTA convention.
- Appoint the financial review committee.
- Establish a process to have monthly bank statements reviewed and signed by a board member who is familiar with the operation of the PTA but not a signer on the account.

- Ensure that committee chairs submit a “committee plan of action” for board approval prior to spending funds.
- Be aware of important deadlines:
 - WSPTA Standards of Affiliation Agreement
 - Annual corporation report
 - Charitable solicitations renewal
 - Insurance renewal
 - IRS informational filings (Form 990, 990-EZ, 990-N)
 - Federal, state, or local tax filings (if applicable)
- Determine whether recommendations from the financial review have been or are being implemented.
- Ensure the financial review results and any subsequent actions of the board are reported to the membership.
- Ensure that the legal documents notebook is kept current, in accordance with your standing rules. A backup copy should also be kept.

3.6 Duties and responsibilities of the vice president

Carefully review this handbook, the *Treasurer* handbook, PTA and the Law, *Washington State PTA Uniform Bylaws*, and the local PTA's current budget and standing rules.

3.7 Duties and responsibilities of the secretary

- The secretary shall record in the minutes any vote of the board or membership to approve or amend the budget.
- The minutes must reflect any vote on new or changed expenditures.
- The minutes must reflect if no treasurer's report is submitted, as well as the treasurer's explanation.
- The minutes should reflect the names of the elected officers and those officers with bank account signatory authority. Many banks require a copy of the minutes in order to update the signature card, and they may require the secretary to be present in person. Contact your bank for its current policies.

3.8 Duties and responsibilities of the treasurer

- The treasurer is the authorized custodian to manage the funds of the PTA on behalf of the membership and the board of directors.
- The funds, books, and record-keeping materials are the property of the PTA.
- The treasurer serves as an active participant on the board of directors and executive committee and attends all meetings of each body.
- The treasurer should serve as chair of the budget committee and present the budget to the board and membership.

Note: *Specific duties and responsibilities of the treasurer are detailed in the Treasurer handbook.*

4. Management of PTA funds

PTAs should have clear, written guidelines for the handling and management of PTA funds that provide assurance that all funds intended for the PTA are received and used by the PTA. There should be adequate documentation at each step in the process to enable the PTA to answer any concerns or questions that may arise. This protects both the treasurer and other volunteers who handle the funds, as well as assuring your PTA's members that the funds they provide are being used for the benefit of the children in the community.

It is critical that PTAs put in place these tools for financial management. WSPTA provides a number of resources to assist PTAs with creating effective policies and procedures for the management of funds, including sample forms and a resource document about special considerations around online banking. These are available on the WSPTA website under Leader Resources. Region directors can also offer assistance.

4.1 Bank accounts

Each PTA must have at least one bank or credit union account into which it can deposit funds. PTA funds should never be commingled with personal funds or the funds of any other organization. Care should be taken to make sure that all funds on deposit are covered by federal deposit insurance. The board must approve the opening or closing of any bank account.

What to look for in a bank:

- Are there monthly fees?
- Does it offer night deposit capabilities?
 - If so, what is the bank's procedure for counting night deposit funds?
- Is there a limit on the number of checks written OR deposited?
- Does it offer a deposit-only (ATM) card?
- Does it offer online banking?
- Is there a minimum monthly balance that must be maintained?

Documents needed to open a business checking account:

- The Employer Identification Number (EIN) obtained from the IRS.
- The Articles of Incorporation from the Washington Secretary of State.
- The minutes that state the names of the elected officers and which officers will have signature authority on the account.

Note: Some banking institutions may accept a current copy of the PTA's nonprofit corporation annual report.

Checking accounts

A checking account is the most common form of bank account. Checks should be sequentially numbered and have the PTA's name printed on them. Interest-earning checking accounts are acceptable.

Savings accounts

Savings accounts are an option for some PTAs. Investing the PTA's funds is a way to earn interest and is prudent financial management.

Certificates of Deposit

Certificates of deposit (CDs) are another manner in which PTAs may manage their funds. 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 the time period; otherwise the PTA may incur a financial penalty in case of early withdrawal.

4.2 Depositing funds

Funds received at events should be counted by two PTA members with each one receiving a copy of the count. This protects those who handle money by eliminating any questions about whether all funds were properly accounted for. All funds should be promptly deposited into a PTA bank account. When making a night deposit, another person should accompany the person making the deposit for safety.

PTA funds must never be:

- Deposited into the personal account of the treasurer or anyone else.
- Deposited into a school bank account.
- Deposited into the bank account of another organization.
- Placed into a safe belonging to a school.
- Kept in someone's home.

4.3 Accepting payment by credit cards

The ability to accept credit and debit cards as payments for PTAs is increasing in demand and becoming more widely available through use of mobile devices. Before a PTA accepts credit cards as a form of payment, a review of internal controls will need to be conducted to ensure policies and procedures are in line with best practices.

Note: PTAs accepting credit cards as payments are responsible for complying with all rules and procedures required to stay in compliance with Payment Card Industry Data Security Standards (PCI DSS). The PCI DSS is a set of requirements designed to ensure that all companies that process, store or transmit credit card information maintain a secure environment. These standards are very important for PTAs to follow, because if followed correctly they will protect the PTAs from issues of liability and fraud. Visit the [PCI DDS website](#) for more information.

4.4 Disbursing funds

When a PTA incurs a financial obligation that has been approved by the board of directors or the membership, it is the treasurer's responsibility to pay that obligation on behalf of the PTA. All obligations and liabilities should be paid by check, unless the PTA has a clear policy and procedure, referenced in the standing rules, for two signers to issue an electronic payment. Never use cash to pay the obligations of the PTA. More information about online financial safety is available on the WSPTA website under Leader Resources.

According to the *WSPTA Uniform Bylaws*: "All financial documents of a local PTA or council including checks and binding agreements shall require the signature of two elected officers." (Article 5, Section 2E). Though two signatures are required on financial matters and binding agreements (this includes checks), it is possible to have more than two officers' names on the bank signature card. This allows other elected officers to sign if one is not available. There should always be at least two signatories available so that a PTA can meet its financial obligations.

4.5 Credit cards, debit cards, or ATM cards

The *WSPTA Uniform Bylaws* provides that "Use of a PTA debit card, credit card, or ATM card to disburse PTA funds is not permitted." (Article 5, Sec. 2F). This provision is intended to reduce the risk of identity theft or unauthorized use of PTA funds. When a credit card is needed for an authorized transaction, a best practice is to have a member make the purchase, then submit a reimbursement request with the receipt to the PTA treasurer.

Deposit-only ATM cards are acceptable, if your bank offers this service. Each card has a unique card number and individual personal identification number (PIN). If deposit cards are used, ensure that written procedures are established to track who receives the cards, the PINs, and when they are to be returned to the PTA.

4.6 Special funds

Matching gifts

Some employers will match donations to nonprofits made by their employees. Members should be encouraged to inquire whether they are eligible to receive the

match from their employer, and follow the employer's donor procedures for documenting or obtaining the funds. Boards should be aware that corporations often place restrictions on how matching gifts may be used, and should be familiar with the rules and restrictions around any funds received in this manner. Examples: United Way, Microsoft, Alaska Airlines, Starbucks and Give Big.

Restricted funds are funds that have been set aside because of limitations in their use placed upon them by individuals or agencies outside of the membership or board of the PTA who received the funds. Legally, the funds must be used in accordance with the wishes of the donor or the advertised purpose of the special event that brought in the associated income. PTA membership scholarships are considered restricted funds, and most grants are also restricted funds. In order to change a restriction, the PTA must have the express permission of the individual who created the restriction. In the case of a restricted fund where many people have donated, the PTA would need permission from every donor.

Designated funds describe funds that a PTA's membership votes to set aside for a specific purpose. The purpose of the fund and how it furthers the PTA's mission should be stated. To establish a designated fund, the board of your PTA should pass a motion that defines how revenue into the fund will be generated and the way the funds may be spent. The motion should then be approved at a membership meeting. Proper wording of the motion should include a statement on how those funds will be raised and how they will be spent.

Example 1: "I move that the XYZ PTA designate and accumulate funds to be used for _____."

Example 2: "I move that the XYZ PTA designate and accumulate funds to be used for _____. An annual activity shall be dedicated to the purpose of raising these funds."

Example 3: "I move that the XYZ PTA designate 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 XYZ PTA designate funds to be used for _____. The board of directors shall annually establish an amount to be transferred from the general fund for this purpose."

Note: Funds that are “designated” for a specific purpose can be directed to another legitimate purpose by the entity that created the designation, typically by a vote of the membership. However, when a designated fund has been created, individuals who donate to the fund may be considered to have made a “restricted” donation, i.e., one that they intended only be used for that designated purpose. To avoid such confusion, it is recommended that the designation leave an “out” in case there is a subsequent change.

Modifications to or eliminations of a designated fund must be voted on by the same group that created it. Because the membership created it, the membership must vote on any modification to or elimination of a designated fund.

Example: “I move that the XYZ PTA designate and accumulate funds for the purpose of purchasing new library books for XYZ Elementary School, with the understanding that any funds not needed for such purpose may be used for other projects as determined by a vote of the members.”

Gifts and grants

There are two distinct factors to consider in deciding whether a donation is a gift or a grant. The first is the source of the donation while the second is the intent of the donor.

A “gift” is a sum of money or a property that is donated to your PTA with nothing or very little expected in return (apart from a thank-you note). Most cash donations from private individuals fall into this category. Sometimes a donor may request that a gift be earmarked for a particular purpose (e.g., scholarship fund, youth enrichment program or activity, etc.) and sometimes a donor may request a certain type of recognition or publicity (e.g., public recognition, etc.).

A “grant” comes with a contract and a set of expectations. A donation of money or property is given to you with the expectation that it will be used in a particular way, and appropriate performance is expected. The grantor can take the money back if your PTA does not perform in accordance to the contract and expectations. In most cases, the grantor expects that something measurable will change as a result of the money or property you are given (e.g., increased student participation in an after-school art program, etc.).

5. Membership dues

Membership dues collected by a local PTA must include Washington State PTA’s membership dues and the National PTA’s affiliation fee (both sent directly to the Washington State PTA). If the local PTA belongs to a council, and that council

charges a flat fee (not per member fee), it must also remit a separate council service fee directly to the council.

Note: *The official membership count for a local PTA is determined by the number of member dues received and recorded in the WSPTA office.*

The membership chair is responsible for maintaining the membership database of all members' contact information.

At the end of each fiscal year, memberships entered online must balance with memberships paid by the local PTA. If they don't match, the local PTA will be billed for the balance. Be aware, however, that overpayments cannot be refunded. Take time to carefully review the membership roster for duplicates prior to remitting payment.

If a local PTA does not remit the amount collected for state and national membership dues, it is considered theft. That money does not belong to the local PTA and legally must be remitted to the WSPTA office.

6. Internal Revenue Service (IRS)

PTAs in Washington are corporations operating under Washington law, and as corporations, they must follow federal tax laws. PTAs that qualify as tax-exempt (nonprofit) under section 501(c)3 or 501(c)4 are not subject to federal income tax; however, they must complete informational yearly filings in order to maintain their status. PTAs that do not qualify as tax-exempt, or which have had their tax-exempt status revoked by the IRS, may be subject to federal corporate income tax under the Internal Revenue Code.

To learn more about the federal tax laws that govern PTAs, at least one elected officer from each PTA must attend PTA and the Law. Information may also be found in the PTA and the Law handbook. Some of the federal tax topics in this class and reference book include:

- Employer identification number (EIN)
- Tax-exempt status requirements, forms, and filing
- Yearly tax filings (required)
- Public inspection of records
- Payments and filings related to hiring independent contractors

7. Additional legal requirements

There are additional legal requirements of which every PTA should be aware. These requirements are covered fully in PTA and the Law. For questions or assistance related to legal requirements, please contact the WSPTA office.

7.1 Nonprofit corporation annual report

In order to maintain its nonprofit status, each PTA must file an annual report with the Corporations Division of Washington's Secretary of State in the anniversary month of the PTA's incorporation. A PTA may be administratively dissolved by the Secretary of State if the annual report is not filed in a timely manner.

7.2 Charitable Solicitations Act

The Washington Charitable Solicitations Act requires certain charities be registered with the Charities Program of the Secretary of State's office. The type and cost of registration depends on the total income received by the PTA during a fiscal year.

7.3 Registered agent

PTAs doing business in Washington State must have a "registered agent." This is the person or entity to which the State of Washington and the IRS send all reports, forms, and notices to the corporation. It is the responsibility of the registered agent to send that information and material to the appropriate officer of the organization. It is recommended that each PTA select Washington State PTA as its registered agent, a service provided free by the WSPTA. To check whether WSPTA is your registered agent, look on PT Avenue under the "corporation" tab.

7.4 Member inspection of records

Washington State law requires that certain records be available for inspection by any member of at least three months' standing (similar to the IRS rules regarding public inspection of records). More details about this requirement are available in the *PTA and the Law Handbook*, as well as in the Revised Code of Washington (RCW 24.03.125), which can be viewed online: <http://apps.leg.wa.gov/rcw/>.

8. Insurance

A PTA may obtain insurance through any reputable company. The Washington State PTA has negotiated with Association Insurance Management (AIM) to offer PTAs a variety of insurance policies for a reduced cost. PTAs are responsible for purchasing and renewing insurance on a yearly basis. Applications for insurance should be mailed with the appropriate fee(s) to the AIM insurance office by November 10. The board should discuss the coverage that is most appropriate and record the board's decision in the minutes.

General Liability Coverage

One of the legal duties of a PTA is to protect its membership and the general public from accident or injury at a PTA activity. General liability insurance covers PTA members against claims by third parties for damage to property or personal injury incurred at a PTA-sponsored activity. Some exclusions include: coverage for

ski schools; Boy Scout or Cub Scout sponsorship; automotive, aircraft, watercraft and other forms of transportation; organized sports events; intentional acts; damage to property owned by or under the control of the PTA; and mechanical rides at carnivals and fairs.

Note: *Purchasing general liability insurance is one of the strongest recommendations of the WSPTA.*

Accident Medical (Medical Coverage)

The accident medical policy is designed to complement your general liability policy. This policy provides medical coverage for activities that are excluded from the general liability policy such as automobile, mechanical rides, watercraft and fireworks coverage. It also provides additional medical payment coverage for covered events without any proof that the PTA was at fault in causing the injury. This does not replace your general liability policy. The accident medical limits are \$10,000, \$25,000, and \$50,000 with no deductible. Some exclusions include: scouting, bungee jumping, athletic activities sponsored by the PTA.

Fidelity Bond Coverage (or “Commercial Crime and Fidelity Bond”)

Fidelity bonding protects the PTA from dishonest acts by PTA officers or members who handle PTA funds. If an officer or member embezzles PTA funds, the fidelity bond may be used to repay those funds (less the deductible). A requirement of this AIM policy is that the monthly bank statement be reviewed, signed and dated monthly by someone who does not have authorization to sign checks. Also required is an annual review of the PTA’s financial books. Failing to comply with these requirements will void the coverage. In order to file a claim under fidelity bond coverage the PTA must file a police report, whether or not it presses criminal charges. Some exclusions to coverage include: funds that disappear by mysterious or unexplained means or if any officer loses the money. The fidelity bond limits are \$10,000, \$25,000 and \$50,000.

Directors’ and Officers’ Liability

Directors’ and officers’ insurance can protect the personal assets of the PTA’s directors and officers, as well as the assets of the PTA in the event a member (or non-member) files a lawsuit claiming that an officer or director was negligent in the management or operation of the PTA.

Property Coverage (Business Personal Property)

Property insurance protects any personal property owned or under the care, custody or control of the PTA against damage or loss. The insurance covers the cost of replacing the damaged item. This coverage also covers any fundraising

merchandise the PTA has in its care until the owner claims it, as well as auction items and raffle items.

Social Media

Social Media insurance is designed to protect the PTA from liability in the event that someone accidentally misuses or discloses information on your website or other social media site. This includes misuse of confidential information and other misrepresentations or misappropriations.

Terrorism

Under the Terrorism Risk Insurance Act, a PTA has the right to purchase insurance coverage for losses resulting from Certified Act of Terrorism (certified by the Secretary of the Treasury.)

9. Washington State taxes

Although nonprofit corporations are exempt from paying federal taxes, they are not exempt from state taxes. Numerous topics relating to state taxes are included in *PTA and the Law*, and can be accessed through the *PTA and the Law Handbook*. In addition, information about state taxes is available through the Washington State Department of Revenue. Topics include:

- Reseller permits
- Sales tax
- Business and occupation (B&O) tax

Note: *Local B&O tax is also imposed and administered by some Washington cities and counties, and PTAs should be aware of any local requirements that may apply.*

10. Contracts

Contracts are covered in detail in the *PTA and the Law Handbook*. All contracts should be in writing and signed by two elected officers. Include the titles of the officers in the signature lines.

Example: Sally Simpson, XYZ PTA President; Molly Moeller, XYZ PTA Treasurer

For a contract to be valid, the following conditions must be met:

- The person negotiating the contract has the authority to do so.
- The board of directors has reviewed and authorized the contract.
- The terms and conditions of the contract, including the fine print, are understood and agreeable to the PTA.

- The contract bears signatures of two elected PTA officers, preferably one being the president.
- The PTA has the ability to comply with all the terms of the contract.

11. Donations and grants

Donations of equipment or material to any school or school district are not recommended. Donations of this kind can make the PTA liable for any defect in the property or equipment. In addition, school districts may have certain product standards for equipment and may not be willing to accept equipment that does not meet those standards.

PTAs may make a monetary grant to a school district which directs the district to purchase equipment or material. A grant may be made for other purposes as well. When granting money to the school district, the PTA should check whether the school district has a specific form or whether it may use its own restricted donation form.

12. Raffles and gambling

Under Washington State law, bingo, raffles and amusement games are considered gambling activities. These are regulated by the State Gambling Commission.

Prior to a gambling activity, PTAs should check local city and county laws that may apply. If gambling activities require a gambling license, applications should be submitted to the Washington State Gambling Commission at least 60 days prior to the date of the event. More information on raffles and other gambling activities is available in the *PTA and the Law Handbook*, and from the Washington State Gambling Commission website.

Records relating to the gambling events must be kept at least one year. Included in these records should be the total income from each activity, an itemization of expenses and how the PTA used the revenues.

13. Auctions

An auction is not a gambling activity. Under Washington State law, it is generally unlawful for any person to act as an auctioneer without a license. A general exception is if the auction is conducted by or on behalf of a charitable organization and the person conducting the auction receives no compensation. If a PTA wants to auction off wine or beer then it needs to apply for a Special Occasion Liquor License from the Washington State Liquor and Cannabis Board. This application must be filed 45 days prior to the auction. More information is available in

WSPTA's PTA and the Law handbook or from the Washington State Liquor and Cannabis Board.

14. Associated Student Body (ASB)

All elementary and secondary schools have ASBs (Associated Student Bodies). Funds raised by an ASB belong to the school district, not the PTA. When a PTA shares a school with an ASB, the PTA must take great care that there is a clear understanding of what belongs to the PTA and what belongs to the ASB.

ASBs may come to a PTA and ask to collaborate to raise funds. ASBs and PTAs may work together, but the PTA must take care to properly document the nature of the activities and how the funds will be handled in a contract with the ASB.

15. Financial transitions

Upon leaving office, the **treasurer** should:

- Participate in the development of the budget for the next year.
- Verify that all membership dues have been paid.
- Complete the June 30 monthly financial report.
- Complete the annual financial report.
- Submit the books and records to the financial review committee.

Upon leaving office, the **president** should verify that:

- The books have been updated and presented to the financial review committee.
- Paperwork for the IRS and Secretary of State has been completed.
- A deadline for outstanding bills has been set.
- The budget has been developed and approved by the membership for the next year.
- Names have been changed on the bank signature cards.
- Update passwords and logins as required by policy and the standing rules.

Upon leaving office, the **secretary** should:

- Verify that the legal documents notebook has been updated.

16. Budget

It is important that the budget for the next fiscal year (July 1-June 30) be developed and approved before the end of the current fiscal year (June 30). This allows the PTA to continue operating and to meet its financial obligations once school is over for the summer. The previous budget expires on June 30. If a new budget is not approved before then, the PTA legally cannot spend any money until a budget is approved at the first membership meeting in the fall.

There are three basic steps in developing a budget:

1. Determine the PTA's goals and objectives and assign costs to them.
2. Develop a revenue source to cover the costs of the goals and objectives.
3. Reconcile or balance steps 1 and 2 with each other.

Consequences of a poorly written budget:

- No idea where money has been spent.
 - Cost overruns
 - Potential to run out of money
 - Potential for missing money
- Bad spending habits are unidentified.
- PTA is unprepared for emergencies.
- Strained relationships.
- Loss of trust and credibility with members.
- Lack of a savings plan.

Note: Without an approved budget, the PTA does not have the authority to spend money for any purpose.

16.1 Budget committee

The budget is usually developed by a budget or finance committee. The committee is chaired by the treasurer. Its members should include several other PTA leaders who have knowledge of what has occurred in the past and what plans are appropriate for the PTA in the future. Both incoming and outgoing officers may serve on this committee.

A PTA may modify the budget to meet its needs. An added bonus of utilizing a budget committee is to develop and train potential treasurers. It can also help with the transition between outgoing and incoming treasurers.

The committee can be as large as three to seven PTA board members (depending on the size of the board) and may include the president. The treasurer is the chair of the committee and brings the committee's recommendations to the board of directors. The budget committee evaluates new budgetary requests, reviews programs that have occurred and makes recommendations to the board of directors and membership throughout the year. When it is time to prepare a budget, much of the groundwork has already been done, making the actual development of the budget more efficient.

16.2 Goals and objectives

Mission Statement

Does the PTA have a clear understanding of its mission? If not, consider adopting a mission statement that reflects the *reason* why the organization is a PTA. An example might be, “XYZ PTA is an organization that promotes the welfare of children and youth in the home, school, community, and place of worship.”

Goals

Several tools are available to help in identifying new goals and assessing existing ones. They include surveys, program assessments, individual program suggestions, and brainstorming sessions. It is best practice to let your committees have input on their portion of the budget.

What are the goals and the objectives for the upcoming year? What does the PTA want to accomplish? The goals should align with the mission statement. Goals might include:

- Increase our outreach to the community.
- Develop better communication among school, home and the community.
- Facilitate and celebrate every child’s accomplishments.

Objectives

What actions will be taken to move the PTA closer to its goals? This may involve:

- Strategic planning—done by the board of directors.
- Research, make recommendations, and recruit help—done by the executive committee.
- Action—done by committees.

Note: *The objectives should tell who will take the action, what the action will be, why the action is necessary, when the action will take place (includes a timeline), and where the action will occur.*

16.3 Revenue development and reconciliation

Now that the PTA has determined its goals and objectives, it must carefully consider how to best raise the funds needed to accomplish them. During the goal-setting phase, expected income and expenses should be estimated for each activity. Finally, a comparison is made between the expenses and costs of accomplishing the goals and the anticipated revenue. If there is a major difference between the two, realistic adjustments must be made to either or both of these areas. When the revenues (including any carryover funds from the previous year) equal planned expenditures (including funds to be carried over to the following year) the budgeting process is completed.

16.4 Surplus, carryover, and reserves

“Surplus” refers to funds remaining in the PTA accounts at the end of the fiscal year after all income has been received and all expenses have been paid (excluding any designated and/or restricted funds). The surplus funds will be absorbed into the general fund of the PTA at the beginning of the next fiscal year, when they will be called “carryover.” No two PTAs will have the same amount of surplus funds since the way they raise funds and the programs and activities that are funded could be very different. For example, an elementary school PTA might have \$12,000 in surplus funds, while a high school PTSA might only have \$6,000.

“Carryover” is surplus that is used for operating expenses during the next fiscal year. There is no set amount of carryover funds, except that the PTA should budget enough funds to cover insurance, legal filings, software licenses (e.g., Money Minder, cloud storage, full version of PT Avenue), programs (e.g., Reflections) or any other expenses that are needed for the PTA to function.

On occasion, the PTA may have more carryover from one year to the next than is needed. In that case, expenses for the next year can exceed income from fundraising events with the plan to use a portion of the carryover to pay for expenses. On the other hand, if carryover from the previous year is not sufficient, the PTA may want to plan to have income for the year exceed expenses in order to replenish the carryover.

“Reserves” are surplus funds invested/saved in order to help cover the PTA’s expenditures in case something tragic happens. PTAs should plan to maintain a sufficient amount of reserves to cover their essential expenses for a minimum of six months in case of failure of one or more fundraising activities. Some PTAs have their reserve funds in savings accounts or certificates of deposit.

16.5 Approving the budget

After the budget has been drafted, it should be reviewed by the board of directors. Following the board’s review and approval, the budget must be presented to the membership for approval. A majority vote by the PTA’s membership is required for approval of the budget. It is highly recommended that the annual budget be approved in the spring of the preceding year. This provides the legal authority to spend funds past the end of the current fiscal year. Without an approved budget, no funds can be spent or disbursed after June 30 until a budget is approved.

16.6 Committee budgets and expenses

When the membership approves the PTA’s budget, it authorizes the board of directors to spend the PTA funds. This is not an authorization for a committee to spend funds.

It is common for each committee to formulate its own plan and budget, and present these to the board of directors. The board reviews these plans and the committee's budget in relation to the entire PTA budget and approves, modifies, or disapproves the committee's plans or budget.

No committee chair or committee member can commit the PTA to a program, project, activity, plan or any obligation, financial or otherwise, without approval of the board of directors. If contracts are to be signed, only elected officers may sign them.

When plans change within a committee which may impact the budget, approval must be obtained to spend funds not previously approved. Expenses incurred without prior approval may become a personal expense and not be reimbursed by the PTA. A sample plan of action is available on the WSPTA website under Leader Resources.

16.7 Amending the budget and reallocating funds

The budget is an annual plan. It is only an estimate of expenses and income. Plans will change. Therefore, the budget may have to change or be amended. No budget should be so rigid that it cannot be easily changed to meet the evolving needs faced by PTAs. The budget may be changed (amended or reallocated) by:

- Vote of the membership.
- If authorized by the PTA's standing rules or in the budget itself, the board may reallocate funds from one purpose to another. When the board of directors amends the budget, it must be sure that it is acting with permission of the membership through the standing rules or a budget notation.

Note: *The standing rules, as well as the budget, should specify that the board has authority to reallocate funds budgeted for one purpose to another purpose, and may place limitations on that authority. If there is no such authority, reallocation can only take place with membership approval.*

Sample language to be placed on the budget document:

- With Permission to the Board of Directors to Reallocate
- With Permission to the Board of Directors to Reallocate up to \$500

17. Financial review

The board of directors has the responsibility to see that the funds of the PTA are administered properly and actions are made 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 annual financial review of the books and records must be conducted.

The financial review involves an examination of the financial transactions of the PTA, and the procedures used to conduct those transactions. The financial review committee shall consist of no fewer than three members appointed by the president, or a qualified accountant. The financial review committee shall not include the people who were authorized to sign or individuals living within the same household as those authorized to sign on the bank account for the period being reviewed. Non-members or members of another PTA do not have the right to examine a PTA's records.

A mid-year financial review is strongly recommended for all PTAs. This financial review should be conducted in the same manner as the one at the end of the fiscal year. It is also recommended that if a qualified accountant is used, that the accountant uses the financial review checklist. The financial review checklist is located on the WSPTA website under Leader Resources.

A financial review must be conducted:

- Immediately following the end of the fiscal year (June 30) in compliance with *WSPTA Uniform Bylaws*; or
- When another PTA member assumes the treasurer position; or
- When there is a question about the financial well-being or performance of the PTA; or
- When there is question or possibility of missing money.

WSPTA Uniform Bylaws

Article 5, Section 9, F1

The local PTA or council board of directors shall: manage the local PTA or council finances in a fiscally prudent manner.

Article 5, Section 9, F2

The local PTA or council board of directors shall: Approve the financial review which shall be conducted at the end of each fiscal year.

Article 5 Section 7, E6

The duties of the local PTA or council treasurer are as follows: close the books at the end of the fiscal year and submit the books and records for financial review to the financial review committee no later than thirty days thereafter.

17.2 Conducting a financial review

The ***president*** should:

- Notify the financial review committee when the review is to be completed (both mid-year and end-of-year).

- Review the financial review checklist with the committee and provide them with the current version of the document.
- Provide ample notification to the treasurer.

The **committee** should:

- Investigate and examine the records.
- Ask questions of the board.
- Draw conclusions from the records and board responses.
- Present the completed financial review checklist documenting its recommendations and findings to the board of directors.
- Interview people who handled funds (at their discretion).
- Contact the treasurer with questions.
- Sign and date the final document.
- Notify the president that the review has been completed.

The president will allocate time during the next board meeting for the committee to discuss its recommendations and findings. Copies of the financial review should be provided to each board member, and the original should be filed. Recommended actions should be discussed by the board. Any actions taken should be recorded in the meeting minutes.

The treasurer must make any necessary corrections and implement corrective actions that have been agreed upon by the board. The treasurer must apprise the board as the corrections and actions are completed.

The results of the financial review must be presented and adopted during a membership meeting. The president or designee shall apprise the membership of the committee's recommendations, and the actions that the board has taken. The secretary shall record the adoption of the financial review results in the meeting minutes.

Note: *If the committee verifies that money is missing, a committee member must immediately notify the president. The president may have to schedule a special meeting of the board of directors to discuss the committee's findings.*

Note: *A PTA is obligated to continue paying its debts—even while the financial review is being conducted. Generally, this does not present a problem because the financial review will take only a few days. However, when extra time is required for the financial review, the board of directors may authorize the writing of a check or checks so the PTA may meet its legal obligations to those whom it owes money.*

17.3 Possible financial review results

- The review indicates financial records are in order and no significant findings.
- The review reveals some procedural areas that need improvement. The board must examine the committee’s recommendations and implement those it feels are important and necessary.
 - The agreed upon actions shall be documented in the meeting minutes.
- The review identifies improper administration of PTA funds, or the theft of funds, or other serious charges. The board must immediately act to fix what is wrong. This includes making reasonable efforts to recover any funds that are missing or were diverted to non-PTA or otherwise unauthorized purposes.
 - Do not make any implicit, explicit, written, or verbal statements or accusations. Such actions could result in a lawsuit for libel or slander.

17.4 Missing money

Any time that a PTA has reason to believe there is a problem with its funds, there are two steps which the PTA must take immediately:

1. Call the region director and the WSPTA office. They will offer guidance on how to proceed.
2. Conduct a financial review.

If the financial review verifies that funds are missing:

- Every action must be taken by the entire board of directors acting as a body — not the executive committee or the treasurer or 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 of directors must be recorded in the minutes of the board.
- At some point, the board of directors must report the missing funds, as well as the board’s attempt to recover the funds, to the membership.

Pitfalls to avoid:

- Do not seek advice from the school district, school principal, or school district attorney.
- Do not make any public or private statements.
- Do not take any action without the formal approval of the board of directors.