

Treasurer's Handbook



2015 - 2016
Arkansas
PTA[®]
everychild.onevoice.[®]

Arkansas PTA
P.O. Box 1015
North Little Rock, AR 72115
501-753-5247; 800-PTA-4PTA
Fax: 501-753-6168
E-mail: office@ArkansasPTA.org
www.ArkansasPTA.org

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The Importance of Being a PIG - PTA In Good standing



Arkansas PTA is making special efforts to ensure that every PTA in Arkansas understands the importance of being a “**PTA in Good Standing**”. We have two specific goals.

- **Inform** PTA leaders why being a “**PTA in Good Standing**” is important.
- **Educate** PTA leaders on the six steps to achieve and keep a “**PTA in Good Standing**”.

We call it our BEAPIG Promotion because the term “BEAPIG” (be a pig) is an acronym for the six components of maintaining the good standing status of a local unit PTA.

Arkansas PTA wants every PTA to “BEAPIG” or be a “**PTA in Good Standing**”.

- B** Bylaws; PTA bylaws must be current and on file with the state PTA office. Bylaws are required to be renewed every three (3) years on December 1st.
- E** Elected Officers Form; PTAs must keep a list of current PTA officers on file with the state PTA office.
- A** Audit Form; PTAs must prepare an Audit Report and submit it for review with the state PTA office.
- P** Paid Membership Dues; PTAs must have submitted all state/national PTA dues with the state PTA office.
- I** Insurance; PTAs must purchase bond insurance with a policy date of November 1st. If a PTA uses AIM, AIM will provide a list of insured PTAs to the state PTA office.
- G** Government Agency Reporting; PTAs must file a Form 990-N (ePostcard) or Form 990-EZ with the IRS and submit a copy of filing with the state PTA office.

Preface

This **Treasurers Handbook**, along with all other Arkansas PTA Kit of Tools, is published as a supplement to the National PTA Back to School Kit annually. These are intended to assist the officers and chairs of the Parent Teacher Associations (PTAs) and Parent Teacher Student Associations (PTSAs) carry out their responsibilities. Materials in this or any other Arkansas PTA Kit of Tools book may be reproduced and distributed to the appropriate officers and board members for PTA use.

Remember, you are a leader at your local unit PTA/PTSA. Be familiar with the contents of this book and set goals for your local PTA/PTSA unit or council that will include leadership training and submitting applications for awards that may be available to you.

For additional copies of this or any of the Arkansas PTA Kit of Tools materials, please go to www.ArkansasPTA.org.

Deadline & Important Dates - Quick Reference BEAPIG are in ()

✓ June 1 st	New Officers List Due	(E)
✓ August 15 th	Internal Audit Form Due	(A)
✓ August 15 th	Form 990-N Due to IRS & AR PTA	(G)
✓ September 30 th	Early Bird Membership Dues Deadline	(P)
✓ November 1 st	Initial Membership Dues Deadline	(P)
✓ November 1 st	Bond Insurance Policy Renewal Date	(I)
✓ November 16 th	Form 990-EZ Due to IRS & AR PTA	(G)
✓ November 17 th	2016-17 Reflections Theme Entries Due	
✓ December 1 st	Bylaws Renewal Submission Date	(B)
✓ January 15 th	State Reflections Entries Due	
✓ February 17 th	National PTA Founder's Day	
✓ February 1 st	Arkansas PTA Award Entries Due	
✓ February 1 st	Arkansas PTA Scholarship Entries Due	
✓ March 1 st	Final Membership Dues Deadline	(P)
○	Arkansas PTA Convention in Little Rock	

The Parent Teacher Association

Membership is open to anyone who believes in the mission and purposes of the Parent Teacher Association. Individual members may belong to any number of PTAs and pay dues in each. Every person who joins a local PTA automatically becomes a member of both the state and national PTAs. Together we are a powerful voice for children. With your help, we can continue to work toward PTA's goal of a quality education and nurturing environment for every child.

The PTA Advantage

Build Your Child's Tomorrow in Today's PTA.

PTA Mission & Values

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

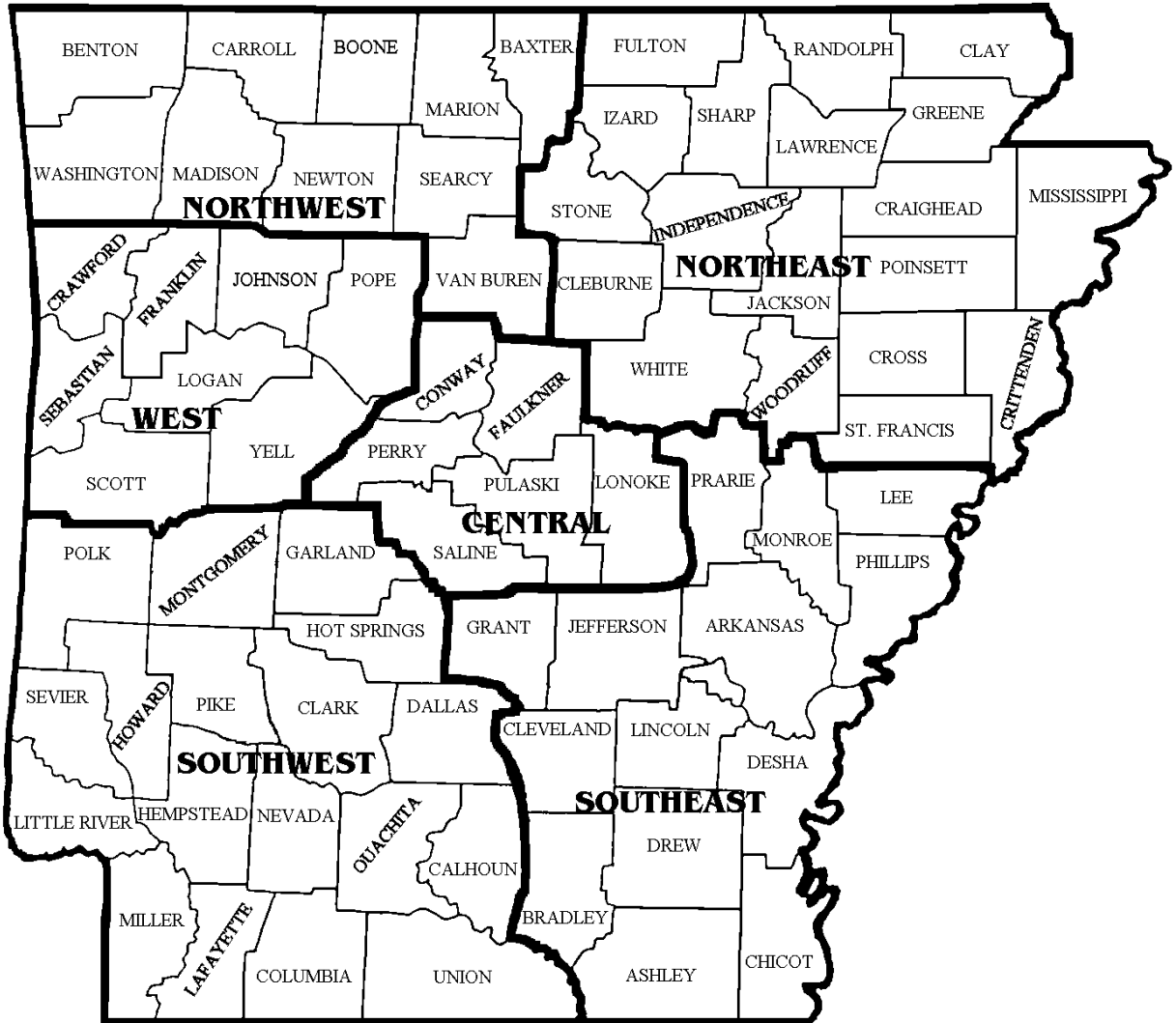
PTA Values

- **Collaboration:** We work in partnership with a wide array of individuals and organizations to accomplish our agreed-upon goals.
- **Commitment:** We are dedicated to promoting children's health, well-being, and educational success through strong parent, family, and community involvement.
- **Accountability:** We acknowledge our obligations. We deliver on our promises.
- **Respect:** We value our colleagues and ourselves. We expect the same high quality of effort and thought from ourselves as we do from others.
- **Inclusivity:** We invite the stranger and welcome the newcomer. We value and seek input from as wide a spectrum of viewpoints and experiences as possible.
- **Integrity:** We act consistently with our beliefs. When we err, we acknowledge the mistake and seek to make amends.

PTA Purposes: Historical Goals of PTA

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

The Six Regions of Arkansas PTA



Active PTA Councils in Arkansas

Central Region	Northwest Region	West Region
Little Rock	Harrison	Fort Smith
North Little Rock	Springdale	Van Buren

Welcome

Congratulations! You've just been elected to the position of Treasurer for your PTA or you're starting another school year as Treasurer.

This office requires much of your time to ensure accuracy and timeliness of reporting the financial position of your PTA. You've been elected to this office and you were probably selected for a variety of reasons – mostly because you're a responsible person. Yes, you are! Here is a list of some key items to “take charge”.

- ✓ Get a copy of last year's Internal Audit Form – It's your starting point.
- ✓ Start the budget process – No one else will.
- ✓ Make sure your bylaws are current – They are a valuable resource.
- ✓ Pay your bond insurance – It protects you and your PTA/PTSA.
- ✓ Pay your PTA membership dues – The Membership Chair may forget.

Thank you for your willingness to serve in such an important role of PTA. This handbook is a resource for you to use in your capacity as Treasurer. It may not address every situation, but it does address some common issues facing PTA treasurers. It is written in a very authoritative style for your protection, so use it wisely.

If you are still feeling overwhelmed and out of sorts, don't worry. You have friends on the state board who are available to answer your questions and guide you in the right direction. Beth Everett, (Treasurer) is an experienced PTA local unit treasurer. Charles Warren (Immediate Past President) is an accountant by trade. You can contact Beth at (479) 208-3947 or Charles at (479) 651-5121. You may also reach them via email from our state website www.arkansaspta.org.

What's New

Every PTA is required to file a tax return with the IRS by November 15 (this year the filing deadline will be November 16). When units forget to file for three (3) years in a row, the IRS will revoke their tax-exempt status. To protect future PTA units, Arkansas PTA will be taking a more active role in making sure that taxes are filed.

In 2014, Arkansas PTA began requiring that proof for filing with the IRS for units eligible to file Form 990-N (ePostcard) be due to Arkansas PTA by August 15 along with the audit. You can file the 990-N online beginning July 1. If a unit is filing a Form 990-EZ, they will still have until November 15 (November 16th in 2015) to submit their taxes, but they will also need to send a copy to Arkansas PTA.

If a unit fails to file their Form 990-N (ePostcard) by October 1, Arkansas PTA may file on behalf of the unit. IF ARKANSAS PTA FILES A LOCAL PTA UNIT'S FORM 990-N, THE PTA UNIT IS **NOT IN GOOD STANDING**. If a unit desires to return to "good standing", they are requested pay Arkansas PTA a filing fee of \$50. This fee can be waived if the local PTA unit can provide a reasonable explanation of the unit's failure to file the required report.

Please check out the Arkansas PTA website at www.arkansaspta.org. You will find MS Excel spreadsheet templates for keeping your PTA books. Also listed there are instruction books for filing Form 990-EZ. Instruction books for filing Form 990-N (ePostcard) and form SS-4 (EIN application) are also available if requested.

The Treasurer's Files

Take Possession of "The Treasurer's Files"

It would be best if the predecessor treasurer would wait until the PTA year end of June 30th to hand over the books. In this scenario, they would keep the PTA checkbook until June 30th and they would complete the Internal Audit Report form listed on the last page of this workbook. The new treasurer would then start converting everything on July 1st.

So many times, new officers are installed in May and the predecessor treasurer will bring all the records at the installation ceremony to give to the new treasurer as soon as they are sworn in. In this case, have the exiting treasurer complete the same Internal Audit Report form as of the date of the transfer. Then ask an "audit committee" to review the financial records and sign the form. The new treasurer can be on this "audit committee" and it may be useful when establishing their own system of keeping records.

The new treasurer will still have to complete the Internal Audit Report for June 30th and have an "audit committee" review the report and the records since the last report date. The "audit committee" will sign the report and both reports should be sent to the Arkansas PTA office in North Little Rock.

Please talk with the predecessor treasurer to determine who will be responsible for any potential income tax reporting. All too often, the exiting treasurer will assume the new treasurer will be responsible for the filing. At the same time, the new treasurer may assume this filing was done by the exiting treasurer. Don't assume, verify that any necessary income tax filing was done properly and timely.

Review "The Treasurer's Files"

Take some time and review the files and records from the predecessor Treasurer. If you have questions about anything, try to talk to them. If you think any records are missing, try to talk to them.

Here's a list of documents and items that should already be in the file. If they are missing, work with your PTA officers to secure them.

- ✓ The check book with checks and deposit slips.
- ✓ A receipt book.
- ✓ A copy of your PTA's bylaws.
- ✓ A copy of your PTA's standing rules (if they exist).
- ✓ A copy of the last internal audit report form (discussed above).
- ✓ A copy of the latest bank statement and bank reconciliation.
- ✓ A copy of permanent IRS tax information that includes:

- The PTA's tax ID#, also known as Employer Identification Number (EIN).
- The Group Exemption Number from Arkansas PTA.
- Copies of Form 990 (if required) or Form 990-N.

More items will be added as you build current files during the school year. If one has not been created, start a "Treasurer's Permanent File". A list of documents and information to be maintained in this file is presented on the page before the internal audit report form.

Converting bank information

Work with the bank to secure the signatures of new officers authorized to sign checks. This may take multiple trips to the bank or all the new signers visiting the bank at the same time. Your bank will have certain procedures you will have to follow to get all the new authorized signers in the bank's system.

Read Your PTA's Bylaws

The bylaws are a wealth of information and you should take the time to read them carefully. Some of the key information will include the following:

The fiscal year of the PTA ends on June 30th.

The Treasurer position is an elected office and a member of your PTA's board.

Fidelity bond insurance is required to be maintained by the PTA. This type of insurance covers the loss of PTA money. The treasurer should verify the coverage period of the current policy and ensure that the insurance is renewed by November 1.

Many times, procedures of handling money are detailed in the bylaws. The treasurer's system of operations should be aligned with these details.

The membership fees to be collected by the PTA are specifically listed in the PTA bylaws. Verify that the membership fees that are actually being collected agree with the bylaws. If they don't, your PTA needs to change the membership fees collected to agree to the bylaws until the bylaws are changed themselves. The treasurer will be responsible for submitting the payment of **\$3.25** per member to Arkansas PTA by the required due dates.

PTA Budget

One of the first responsibilities of a new treasurer or a treasurer starting a new school year is the creation of a PTA budget. The budget can be developed by the PTA officers or a budget committee, but one person has to start that process. That person is the treasurer.

Creating the Budget

Review past receipts, disbursements and financial reports when estimating for a budget. Talk with committee chairs and officers about costs of new programs or fund-raisers.

Tips for Developing a PTA Budget

Decide or verify what programs, projects and services the PTA wants to provide or support. Gather information to estimate the cost of these items.

Estimate the costs of operating or administrative expenses such as insurance, bank fees and leadership training.

Gather information on fundraising programs and other sources of cash. These other sources of money could include school events that make money for the PTA such as silent auctions, carnivals and of course membership fees.

List all the source of funds and the uses of funds to determine ending cash position of the PTA. Make any necessary budget changes to get to the desired cash position of year end. This may mean cutting a program or service or adding another source of revenue.

A good rule of thumb for any PTA is the “3 to 1 Rule”. This rule states that for every fundraising activity, there should be at least three non-fundraising projects aimed at promoting the purposes of PTA.

Review the budget with the officers or budget committee and determine a final budget.

Consider creating a tentative budget that is presented to the PTA board and membership at the last meeting of the school year. The purpose of this budget is to allow the treasurer to pay bills over the summer and prior to first PTA meeting of the next year when a new budget can be approved.

Approving the Budget

The budget should be presented to the board for consideration, discussion and approval. Once approved, the same budget should be presented to the PTA membership for consideration, discussion and approval.

Review the specifics of your PTA’s bylaws, but in general, the budget should be presented at the first general meeting of the year.

Amending the Budget

Review the specifics of your PTA's bylaws, but in general, the budget can be formally amended at any regular PTA meeting or at a special meeting called for that purpose. Keep track of both the original budget and the amended budgets.

Items Over or Under Budget

Your PTA will rarely have actual records that meet each budget line item exactly. Typically, there are two scenarios and solutions to these types of issues.

One occurs when an expense line item slowly builds up to an amount that is over the approved budget. Maybe cost went up or maybe the budget was just too low. In this situation, it is best for the treasurer to request that the PTA board "approve" the line item as over budget on the first financial statement that the overage occurs. This is an "after the fact" approval, but it requires the PTA board to acknowledge the overage and determine if any savings in other line item expenses (or sources of revenue) can cover the overage without a large impact to the ending cash position.

Another situation occurs when a large purchase is requested for a line item expense that will knowingly create an overage. It may be that a large ticket item cost more than originally listed in the budget or a new opportunity for a program or service is too good to pass up. In this situation, it is best to request the PTA board to approve the overage before the check is written.

Developing a System of “Operations”

The fundamental tasks of a treasurer include depositing money into the PTA checking account and writing checks from the same PTA account. The accuracy and integrity of the bank account is very important!

No other organization should pass its money through the bank accounts of PTA. This includes money for or from the school or principal. Reimbursements of invoices or other costs are perfectly acceptable to be received or paid to the school, but the PTA should not collect funds for any school or allow the school to collect funds for the PTA. Also, money should not be “turned over” to the school or principal to spend at their discretion.

Collect, keep and organize all receipts, deposit slips, check requests, invoices and bank statements for the year end internal audit report.

In the following section the term “monies” refers to currency, coins, checks and any other form of legal tender that the PTA may receive.

Depositing Funds

If monies are not directly collected by the treasurer, two people should count the monies and both should sign the receipt verifying the amount. All monies collected by other PTA members should be given to the treasurer without delay.

Deposit all monies in the bank daily. Night deposit and 24 hour banking can and should be used as needed. Monies should never be kept at the treasurer’s home.

Monies should never be deposited into any personal account or any school activity account.

Monies should never be placed in the school building safe.

All checks collected for deposit should be endorsed as recommended below:

For Deposit Only
(Your School) PTA
Account # _____

Disbursing Funds

When the PTA incurs a financial obligation that has been approved by the board or membership (approved in the budget or approved by motion), it is the responsibility of the treasurer to pay that obligation promptly. All obligations (or liabilities) should be paid by check. Never use cash.

All financial disbursements should require two signatures. Only elected officers should have the authority to sign for the organization. If possible, have more than two officer's names on the bank signature cards. In this way, if one officer is unavailable, the PTA is not prevented from paying its obligations.

Never sign a blank check.

Bank Statements

To protect your PTA and the Treasurer, the bank statements should be mailed to the school. Before the Treasurer prepares the monthly bank reconciliation, the monthly bank statement should be opened, reviewed and **signed** by a PTA member that is not a signor on the bank account. The person opening the bank statement should also be given the bank reconciliation from the Treasurer every month to review. This procedure is required by most bond insurance carriers if a claim is ever filed for the loss of PTA funds. Under the section called "The Big Picture" on page 17, details of a new PTA position are discussed to address this requirement.

The importance of having a PTA member that is not a signer on the account has intensified because of the following insurance policy changes made by AIM. Specifically, in 2011, AIM added an endorsement to their bond insurance. (An endorsement is an insurance term for change to an insurance policy.) Endorsement CR AS 0016 1207 reads:

The Breach of Representation and Warranties Endorsement Requires:

- A. It is hereby understood and agreed that the Named Insurance Member represents and warrants the following:
 - a. Monthly bank statement are reviewed and signed each month by an individual who does not have authorization to sign checks.
 - b. Annual audits of the Named Insured Member's accounting records or books are conducted by an audit committee or qualified accountant.
 - c. Signed monthly bank statements and annual audits will be retained on file and be available for review.

PTA units must follow these rules. If they do not, any claim they file with AIM could be denied because of their failure to fulfill their duties to protect PTA funds.

Electronic Banking

In an era of technological advances, the use of electronic banking has become commonplace. This section is a response from Arkansas PTA to all the PTA leaders that are requesting guidance on how best to pull their PTA into the digital age.

Unfortunately, the best policy (the one still advocated by Arkansas PTA) is the use of checks requiring two signatures. This policy and the procedures supporting this policy are discussed throughout this handbook. Arkansas PTA believes in this policy because of the “audit trail” that the use of actual checks with multiple signatures leaves behind. It is also harder for one person, acting alone, to embezzle funds from a PTA with this system. The check writing system protects not only the PTA association; it protects the PTA Treasurer from being wrongfully accused if something goes wrong.

Digital Checks

Digital checks allow a PTA to use a personal computer to pay bills, especially recurring bills. Typically, a bank will generate an actual check and mail it to the vendor. Banks can charge for this service so be careful. The only real benefit is for the payments that are paid frequently and in the same amount.

Debit Cards

Most of us know how to use a debit card. Debit cards allow purchases to be made that immediately transfer funds from the PTA’s bank account to the vendor. It is a substitute for an actual check. Instead of signatures, a PIN code is required to be typed in to authorize the transaction. Banks can charge for this service as well, so be careful.

While these cards are convenient, they can be stolen. In the wrong hands, a debit card and the PIN code can be used to clean out a bank account. Therefore, the PIN code should be carefully guarded, changed often and never written on the debit card itself.

The receipt printed from the use of a debit card should be carefully maintained. Typically, banks do not list very much of a description on the bank statement, so the receipt is necessary to reconcile the expenditure to the bank statement.

Credit Cards

Credit cards allow purchases to be made that are billed monthly to the cardholder. Once a credit card has been set up, it is very important that payments are made in full by the due date to avoid needless late fees and interest that the credit card company may charge.

Again, these cards are convenient, but they can be stolen. In the wrong hands, a credit card can be “maxed out” with the PTA responsible for payment. They are also difficult to maintain as authorized users come and go as PTA leadership turns over. In the long run, it may not be worth the trouble.

The receipt printed from the use of a credit card should be given to a PTA board member that does not have access or authority to use the credit card. In fact, this PTA board member should receive the monthly credit card statement directly from the credit card company. They should review and reconcile the bill to the receipts and send the statement to the PTA Treasurer for timely payment.

Gift Cards

As with the other cards mentioned above, these are convenient and limit the amount that can be spent, but if lost or stolen your money is gone. These cards will not have a statement sent out to be reconciled to the receipts. Once purchased, there is no way to trace them. This applies to using gift cards for PTA business, not for using as door prizes or for student or volunteer recognitions.

The Big Picture

A fundamental change in your PTA’s procedures is required to be able to utilize the tools listed above. The list above is not comprehensive, but it does cover the more common items. The change to the procedures is necessary to overcome the flexibility (and therefore, the risk of loss) that you receive.

The fundamental change is an old accounting phrase called “segregation of duties”. It means that there must be additional steps of review to compensate for the convenience of releasing funds from the PTA bank account.

We recommend that your PTA create a new board position called “PTA Internal Auditor” (PTA IA). The PTA IA should be setup to receive the bank statement directly from the bank. The PTA IA should collect all the various “electronic” receipts and reconcile them to the bank statement. In fact, they will now be responsible for the monthly bank reconciliation process. They should get a list of checks and deposits from the PTA Treasurer to reconcile the bank statement to the PTA books each month. The PTA IA should also review the details of each “electronic” receipt to ensure that they are legitimate PTA expenditures. It is vital that the PTA IA does not have authority or access to write checks or use the debit and credit cards.

Arkansas PTA’s advice to PTAs desiring to use these electronic tools can be summed up into two words – **Be Careful!**

Don’t circumvent a system of checks and balances to be able to do your banking electronically. Protect your PTA’s money from misuse and abuse. Everything your PTA does is for your children, so please be good stewards of the money you have raised.

Presenting Financial Statements

The financial information that you collect and organize is property of the PTA organization. You should always be ready to share detailed information with any officer or member that requests it. Regarding financial information, we want the PTA units to be as “transparent” as possible.

The treasurer should submit a detailed report at each regular board meeting and at each regular membership meeting. You should keep detailed information handy so that you are prepared to answer all questions promptly.

The key component of the financial reports is accuracy. Presentation format and style are important, but not at the expense of accuracy. This written report should contain, but is not limited, to the following information:

- ✓ Period that the report covers.
- ✓ Date of preparation.
- ✓ Name of person preparing the report.

Each report should be accepted by the PTA board and PTA membership and “filed for audit”. These reports should be referred to the audit committee during the auditing process.

There may be occasions that someone who is not a member of your unit asks for financial information. As a non-profit group, you are required to provide a copy of your annual audit report if requested. Under no circumstances should you give them access to bank statements which will have the name of your banking institution and your account numbers. If you are asked for this information, please contact Arkansas PTA for guidance.

Work with Your Fellow PTA Leaders

The Treasurer is going to be working with many aspects of the PTA activities. The treasurer writes checks for programs, service, event cost and membership. The treasurer makes deposits for fundraisers, event collections and membership. Don't tell anyone, but being a PTA Treasurer is great training ground for a future PTA President.

Fundraising Chair

Fund raising, while not the major purpose of the PTA, is usually the biggest source of revenue to pay for the program, projects and activities defined in the budget. The fund raising chair is responsible for organizing and collecting funds, but the treasurer is still responsible for the deposit of the funds. The fund raising chair is also responsible for approving and authorizing fund raising expenditures, but again, the treasurer is still responsible for writing and releasing the checks.

Be familiar with the ethics of fundraising.

Membership Chair

As members join the PTA, the membership fees must not be held by the chairperson. Instead they must be given to the treasurer to deposit as soon as possible. The membership chair and the treasurer should frequently reconcile the membership list and collections to the deposits made for membership fees.

The treasurer should issue a receipt to the membership chair for fees turned over to the treasurer for deposit. The receipt safeguards both parties and provides an excellent audit trail enabling the audit committee to verify the proper administration of all membership fees.

Membership dues collected by the PTA unit should agree to the unit's bylaws. The dues must include a portion for Arkansas PTA dues (currently \$1.00 per member) and a portion for National PTA dues (currently \$2.25 per member). Both Arkansas PTA and National PTA dues are submitted with the membership form to Arkansas PTA. It is the treasurer's responsibility to ensure this payment is made properly and timely. A copy of the Membership Form is on page 26.

These state and national dues do not belong to the PTA unit and should be submitted to Arkansas PTA as soon as possible or no later than November 1st. Arkansas PTA and National PTA dues should not be held in PTA unit's bank account to accrue additional interest income.

The official membership count is determined by the numbers of members reported to Arkansas PTA on or before March 1st. Please continue to submit membership dues that you collect past this date. They may not count towards membership awards, but they do count!

Internal Audit Reports

At the close of the fiscal year (June 30th), the treasurer should close the financial records and prepare an annual financial report covering the entire fiscal year (July 1st to June 30th) called the “Year End Report”. The Year End Report is used to prepare the Internal Audit Report for the fiscal year. Both reports are to be presented at the PTA’s annual meeting for approval from the membership.

The Year End Report and the Internal Audit Report should be kept in the treasurer’s permanent file. This report will also be used for the year end income tax return (Form 990 or Form 990EZ) if required.

The purpose of the internal audit is to certify the accuracy of the books and records of the PTA as maintained by the treasurer. It also verifies the cash balance of the PTA as of the date of the report. This report assures the membership that the PTA’s resources and funds are being managed in a businesslike manner with the regulation established for their use.

The Internal Audit Report is prepared by the treasurer and certified by an “audit committee”. The bylaws should give you guidance on the makeup of the audit committee. If not specifically addressed in the bylaws, it is recommended that an odd number of members (at least three) that can be appointed or elected.

The audit committee should review these documents and information to be satisfied with the accuracy of the Internal Audit Report. One member of the audit committee should complete and sign the Internal Audit Report. A copy is kept for the Treasurer’s permanent file and the original is sent to Arkansas PTA.

The importance of the completion and submission of the Internal Audit Report is to ensure that your PTA can collect insurance proceeds for any fidelity bond insurance claim. The insurance company will ask Arkansas PTA if a current Internal Audit Report is on file in the Arkansas PTA office. The insurance company can deny a potential claim for money lost or stolen if this report is not filed with Arkansas PTA. This denial could happen even if your PTA has properly and timely paid the premium.

Don’t miss out on recovering PTA funds lost or stolen because the PTA failed to submit the Internal Audit Report to Arkansas PTA. A copy of the form is provided in this booklet.

IRS Rules and Regulations

Arkansas PTA is exempt from federal income tax. Specifically, Arkansas PTA is a charitable and educational organization that has been approved by the IRS for non profit status under the provisions of section 501(c)(3) of the Internal Revenue Code. Each local and council PTA that is in good standing with Arkansas PTA is listed as a non profit organization under the group exemption status of Arkansas PTA.

Certain restrictions that apply to 501(c)(3) entities must not be violated, including:

- PTAs must be organized and operated exclusively for charitable, educational or scientific purposes.
- PTA resources and funds cannot be used for private benefit of an officer, director or member.
- Upon dissolution, PTA assets must be distributed for one or more of those defined tax exempt purposes.
- PTAs cannot engage in a substantial amount of lobbying activity.
- PTAs cannot engage in any political activity, especially to support candidates for public office.

The IRS requires any 501(c)(3) organization that records more than \$50,000 in gross collections to complete and timely file a Form 990 or Form 990-EZ. All PTAs have a year end of June 30th and therefore have a filing deadline of November 15th of the same year.

When calculating the gross collections of your PTA, do not include the Arkansas PTA and National PTA membership dues that were collected. These dues are not to be recorded as unit income and they are not a source of revenue to the local unit.

All PTAs that do not already file a Form 990 or Form 990-EZ are required to file a 990-N (ePostcard) by November 15th of each year. **Failure to file this electronic report for three consecutive years will result in the loss of the PTA's tax exempt status.**

The Form 990-N (ePostcard) is available for filing starting on July 1st of every year. Arkansas PTA has written a separate handbook for your use when filing this report online. The form does not require financial information, but it does request the PTA's name, address, current officers and EIN.

Check out the Arkansas PTA website for instructions for filing the Form 990-N (ePostcard). Instructions for completing the Form 990-EZ are also available upon request.

File all IRS reports on time. Failure to do so could be costly to the PTA. If the PTA receives any correspondence from the IRS, the treasurer should research the issue and respond immediately. ***Keep all original IRS notices and copies of PTA responses in the Permanent File.***

Unrelated Business Income Tax

If the PTA's sole source of labor for all fundraising events is volunteers, the PTA will have no unrelated business income and this section can be disregarded.

If, however, a PTA ever pays anyone for services to assist it in a fundraising event, this section should be reviewed carefully.

As a tax exempt organization, PTA revenues are not subject to federal income tax if the revenue is raised in a manner that is related to the PTA's tax exempt purpose. However, it is possible for some revenue to be subject to income taxation. When this occurs, the amount subject to taxation falls into the category of "unrelated business income".

A transaction or activity generally will be classified as yielding unrelated business income if it has all of the following three properties.

1. The activity provides income (but does not necessarily produce a profit) and the PTA takes an active role in the generation of the income.
2. The activity is conducted on a regular and continuous basis.
3. The activity is a fundraising activity that is unrelated to the mission of the PTA.

Even if the proceeds are used to further the purposes of PTA, if the method of raising the funds is not related to the purposes of PTA, the revenue is deemed to be unrelated business income. In other words, fundraising is not a related activity just because the net revenue is used to support PTA programs.

However, if the activity is conducted by the PTA and at least 85% of the labor is provided by PTA volunteers, the income is generally excluded from taxation (even if the three conditions above exist).

If the PTA's unrelated activity starts to rival its related activity (so that the unrelated activity is perceived to be dominant) the PTA may no longer be perceived as a charitable organization supporting itself with some unrelated business income. The IRS may, instead, view the PTA as a business with some charitable activities. *At that point, the PTA would lose its tax exempt status.*

Also, IRS regulations require non-profit organizations to report unrelated business activities when gross receipts are at least \$1,000. The IRS requires to report and pay taxes on such gains by filing IRS Form 990-T. At this point, it may be best to solicit professional advice on filing any and all IRS forms.

Disclosure Statements

PTAs are required by the IRS to disclose rules to inform prospective donors about the extent to which their contributions are legally tax deductible.

Effective January 1, 2008, donors must obtain a disclosure (or receipt) from charitable organizations for contributions made in one day that exceed \$250. Canceled checks are no longer sufficient except if the total in one day is below \$250. Cash donations below \$250 will require a receipt to the donor to be tax deductible by the donor.

PTAs must be prepared to issue receipts as their disclosure statements. There is no formal format for the receipt and donor social security numbers are not required. At a minimum, the receipt must reflect the donor's name, date, dollar amount received or a description of the property received (the charitable organization is not required to value the property received). The receipt must have the PTA's name on it.

If a donor receives some value for the donation, only the portion in excess of the value is deemed a donation and only that amount should be reflected on the receipt. This receipt is a formal disclosure statement and should indicate the fair market value of any tangible benefit received in exchange for a contribution and the amount of the donation that is deductible as a charitable contribution.

If a PTA holds a fundraising event that provides a meal or some tangible item in return for the purchase of a ticket, then the portion of the ticket that is tax deductible is the ticket price less the fair market value of the meal or item received. For example, if a chili supper ticket is sold for \$20 and the value of the meal is determined to be \$5, the purchaser is entitled to a \$15 charitable contribution deduction. The \$5 is not the cost to the PTA, but the value of a prepared and served meal allowing for a reasonable profit.

Record Keeping

To comply with IRS reporting requirements, complete records should be kept on all monies received and disbursed for three (3) years after the date the PTA's income tax return is filed. **Arkansas PTA recommends all records be maintained for five (5) years to cover this requirement in the event a tax return is filed late.**

US Postal Regulations

PTAs should exercise caution in using its non-profit bulk mailing permit. If in doubt, it is best to show the bulk mail coordinator at the local post office a sample of what the PTA is intending to mail with its permit to make certain the material meets applicable postal regulations. Two main areas of concern are (1) misleading direct mail pieces and (2) allowing the permit to be used in a cooperative mailing with "for profit" business. Fines may be imposed if abuses are found.

Arkansas Sales Tax

Arkansas does not recognize non-profit organizations (including any PTA) as exempt from paying sales tax on any purchases. No PTA in Arkansas has a "sales tax exemption number". Sales tax should always be paid as part of the cost of a PTA purchase.

Sales tax returns are due on the 20th of the month following the close of the month. Most PTAs are on an annual filing basis and therefore their returns are due on January 20th for the previous calendar year.

Carefully communicate and document the responsibilities of reporting sales tax with any potential fundraising vendor or organization. Determine if the PTA or the vendor is collecting and paying sales tax to the state of Arkansas. Realize that some “grocery” type purchases associated with a fundraiser may pay a reduced rate of sales tax.

Arkansas Raffle Licenses

The state of Arkansas has passed legislation to require a license for all raffles and bingo games conducted by a non-profit organization. An application is posted on the website for the Arkansas Department of Revenue. Specifically:

- Go to www.arkansas.gov/dfa/
- On the left of the screen, click on “Miscellaneous Excise Tax” and then “Registration Forms”.
- To conduct a raffle or bingo session or to conduct several throughout the year your unit needs to file an AR-1R Combined Business and Tax Registration form and an AR-1R-BRLAO Bingo and Raffle Registration Licensed Authorized Organizations Supplement. The permit fee varies depending on what you intend to do.
- If you have previously held a permit for a temporary (one-time) bingo or raffle you can complete the BRR-TEMP Temporary Bingo and Raffle License Renewal form. From www.arkansas.gov/dfa/ Click on “Miscellaneous Excise Tax” and then “Bingo/Raffle” to find this form. A Bingo permit is only required if cash prizes are awarded.

Please review the applications and guidelines and discuss with your PTA if any kind of raffle will be used during the school year. It is the recommendation of Arkansas PTA that all PTAs participating in any kind of raffle obtain the appropriate permit.

Permanent File Checklist

- ✓ A copy of the PTA's current bylaws
- ✓ A copy of the PTA's current standing rules (if they exist)
- ✓ A copy of the all Year End Reports and all Internal Audit Reports
- ✓ A copy of permanent IRS tax information that includes:
 - The PTA's tax ID#, also known as Employer Identification Number (EIN)
 - The Group Exemption Number from Arkansas PTA
 - Copies of Form 990-EZ (if required) or Form 990-N (new in 2008)
 - Copies of all IRS correspondence
- ✓ Five years of the following:
 - Bank Statements
 - Bank Reconciliations
 - Approved Budgets

Current File Checklist

- ✓ The checkbook with checks and deposit slips
- ✓ The deposit slips with bank receipts
- ✓ A receipt book
- ✓ The initial approved budget and any amended budgets
- ✓ All financial reports presented to the PTA
- ✓ A copy of all Membership Forms sent to Arkansas PTA
- ✓ A copy of the Year End Report
- ✓ A copy of the Internal Audit Report

Audit Committee Checklist

- ✓ A copy of the current bylaws
- ✓ A copy of the previous Internal Audit Report
- ✓ A copy of the approved budget
- ✓ A copy of the Year End report
- ✓ The ledger or "books" maintained by the treasurer
- ✓ The checkbook
- ✓ All bank statements for the period (and cancelled checks/check images)
- ✓ All invoices and check requests
- ✓ All deposit slips
- ✓ All receipts from the receipt book
- ✓ All reports presented by the treasurer throughout the year
- ✓ All board and PTA minutes throughout the year
- ✓ All membership reports



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2015-2016 PTA Audit Report Form

The financial year for all PTAs ends on June 30. By August 15, 2016 or sooner, an audit should be completed & a copy of this audit report sent to Arkansas PTA.

PTA Unit Name: _____	Today's Date: _____
Address: _____	Tax ID# _____
City & Zip Code _____	
Treasurer Name: _____	Treasurer Phone # _____
Treasurer email: _____	Region _____

Previous Balance on Hand (as of last audit date)	Line A	-	
Receipts (from last audit date to current audit date)	Line B	-	
Total Cash (Line A + Line B)	Line C	-	
Disbursements (from last audit to current audit date)	Line D	-	
Balance on Hand (date of audit) (Line C - Line D)	Line E	-	

Last Bank Statement Balance	Dated: _____		Line F	
<u>Add: Deposits in Transit</u>				
Date of Deposit	Amount: _____			
Date of Deposit	Amount: _____			
	Total		Line G	-
<u>Less: Outstanding Checks</u>				
<u>Payee</u>	<u>Check#</u>	<u>Date</u>	<u>Amount</u>	
_____	_____	_____	_____	
_____	_____	_____	_____	
_____	_____	_____	_____	
	Total		Line H	-
Balance in Bank Account at Date of Audit (Line F + Line G - Line H)				- ok Should equal Line E

I/we verify that the following IRS report will be or has been completed for the fiscal year listed above.

Due 11/15/16 Form 990-EZ for gross receipts >=\$50,000 check if attached

Due 8/15/16 Form 990-N (ePostcard) for gross receipts < \$50,000 check if attached

I/we have examined the books of the treasurer for the PTA listed above in accordance with procedures outlined by Arkansas PTA and find them to be: (choose one)

Correct Other (detail below)

Comments: _____

Audit Committee Chair's Signature: _____

Date Audit Completed: _____

Audit Committee Contact Information:

Chair Name: _____	Phone: _____	Email: _____
Name: _____	Phone: _____	Email: _____
Name: _____	Phone: _____	Email: _____

MAIL TO: Arkansas PTA
PO Box 1015
North Little Rock, AR 72115

or fax to: (501) 753-6168
Phone: 1-800-PTA-4PTA
501-753-5247 locally

2015-16 Arkansas PTA Membership Dues Remittance Form

Please print clearly. Use complete unit name, including type (i.e., Elementary, Middle School, etc.).

Name of Unit: _____

Address: _____

City & ZIP: _____ Region: _____

PTA President Name: _____

President: Email: _____ Phone #: _____

Dues remitted to Arkansas PTA include the portion called "National Dues" that Arkansas PTA remits to National PTA (\$2.25) and the portion that Arkansas PTA uses to provide training and support for all PTAs in Arkansas called "Arkansas Dues" (\$1.00). This is the total of \$3.25 listed below.

A membership list is not required to be submitted with this form and check. However, Arkansas PTA encourages all PTAs to submit a list of PTA members to Arkansas PTA. We actually have an incentive promotion for 2015-16. Check out the 2015-16 Membership Handbook for details!

_____ Members @ \$3.25 per person (ARPTA & NPTA dues) \$ _____

Submission "check" list:

- Make checks payable to Arkansas PTA. Checks must have two signatures.
- Check your math before writing the check. Enclose the check with this form.

Check # _____ covering membership collections through _____

I certify that the number of members and the amount enclosed are correct to the best of my knowledge.

Treasurer's Signature: _____ Date: _____

Treasurer's Name (printed): _____

Treasurer's Email: _____

Treasurer's Phone Number: (_____) _____

**Please send completed form and payment to: Arkansas PTA
P. O. Box 1015
North Little Rock, AR 72115**

- Deadlines: **Sept. 30** (Early Bird) **Nov. 1** (Initial Dues) **March 1** (Final Dues)
- Form and dues must be postmarked by the due date to be eligible for awards.
- Review the BEAPIG Promotion. The "P" stands for paying membership dues. This is an important component of being a PIG (**P**TA **I**n **G**ood standing)!

Sample Treasurer's Report Form

(Name of PTA) Treasurer's Report

(Date)

Beginning Balance (Balance from last report)

\$ _____

Income: (List)

\$ _____

\$ _____

\$ _____

TOTAL

\$ _____

Disbursements: (List)

\$ _____

\$ _____

\$ _____

TOTAL

\$ _____

Balance as of _____
(Date)

\$ _____

Treasurer's Signature _____

Please provide copies for President and Secretary and retain one for the Treasurer's file.