

# Treasurer

## Handbook 2020 - 2021

Washington State  
**PTA**<sup>®</sup>  
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The treasurer is elected by the members to be the authorized custodian to manage the funds of the PTA on behalf of the membership and the board of directors. This handbook focuses specifically on tasks that are required of the treasurer, and is meant to be used with other resources, such as *Managing Your Nonprofit PTA* and *PTA and the Law*.

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## 1. Introduction

This handbook focuses primarily on tasks specifically required of a treasurer in a local PTA or council. It is only part of the information that relates to the treasurer position, however. The treasurer must read and understand all references to finances and membership dues found in this handbook, *Managing Your Nonprofit PTA*, *PTA and the Law*, the *WSPTA Uniform Bylaws*, and the PTA's own standing rules. Numerous sample forms and resources are available to treasurers on the Washington State PTA website under [Leadership Guides](#).

## 2. Duties of a nonprofit board member

Each member of a nonprofit board has three legal duties, collectively known as his or her “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.

There are two WSPTA resources that directly address these legal requirements: *PTA and the Law* and *Managing Your Nonprofit PTA*. *PTA and the Law* is a class that is offered yearly across Washington state. It has accompanying resources that are available only through that class. One elected officer from every PTA must take *PTA and the Law* yearly, in accordance with the WSPTA Standards of Affiliation. *Managing Your Nonprofit PTA* is a handbook available on the WSPTA website under [Leadership Guides](#). It is also a class that is commonly offered at region and/or council training. *Managing Your Nonprofit PTA* deals specifically with risk management and the fiduciary duties of the board of directors.

## 3. Duties and responsibilities of the treasurer

The members elect the treasurer to be the authorized custodian to manage the funds of the PTA on behalf of the membership and the board of directors. The funds, the books, and the 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 serves as chair of the budget committee and presents the budget to the board and membership.

The specific duties and responsibilities of a treasurer:

- Attend council, region, and/or state training, webinars, workshops, and convention.
- Assure all PTA funds are promptly deposited into one or more bank accounts where PTA funds are maintained, separate from funds of any other organization.
- Keep an accurate and detailed account of all funds received and disbursed.
- Pay all authorized financial obligations of the PTA, including membership dues and fees owed to a council (if any), in a timely manner.
- Submit a detailed, written monthly financial report at each meeting of the PTA membership and each meeting of the board of directors.
- Submit written reports by mail or email to the board during months when no meetings are held.
- Submit an annual report at the end of the fiscal year (June 30).
- Develop and present, with the support of the budget committee, the budget for the following year.
- Preserve all receipts, invoices, bank statements, cancelled checks, and other financial records as specified in the records retention timetable.
- Prior to delivering the books to the successor treasurer, submit the current year's records to a financial review committee.
- Ensure that appropriate and adequate insurance (liability insurance at a minimum) is purchased for the PTA.
- Prepare and file the appropriate IRS informational forms (990-N, 990-EZ or 990), state sales tax forms, annual incorporation renewal report, Charitable Solicitations report, business license, and any city/county licenses in a timely manner.

## 4. Getting started

Following is a list of actions that must be taken by the treasurer immediately upon taking office:

- Ensure the books and records of the previous treasurer have been appropriately reviewed by a financial review committee. If not, ask the president to appoint a financial review committee. **Do not accept the books until a financial review has taken place.**
- Incoming treasurers may request to participate in the financial review if they were not on the bank account's signature card during the period covered in the financial review. If the incoming treasurer was a signer on the account, they may request to participate in the review as an observer; however, the committee will decide whether this will be allowed.
- Once the financial review has been completed, the financial review committee chair should pass along to the incoming treasurer any recommendations made by the committee.
- Review the books and records received from the previous treasurer and verify they are complete. Follow up on items that were identified in the financial review or otherwise as missing, whether they are from the prior year or from earlier years. Report any missing records at the next board meeting.

- ❑ Verify that current officers have signed a new bank signature card. A copy of the signature card or other documentation verifying that current bank signers are current elected officers must be kept for the treasurer’s records.
- ❑ If the PTA has a bank account with online access, make sure the passwords are changed so that only current officers have access. For more information on managing online accounts, please refer to the document *Online Financial Safety for PTAs*, available on the WSPTA website under [Leadership Guides](#).
- ❑ Review and update existing protocols regarding how funds are handled at events and during fundraisers; if no written protocols exist, develop a protocol consistent with best practices and propose it for board adoption. A sample money handling policy is available on the WSPTA website under [Leadership Guides](#).
- ❑ Follow up on any uncleared checks from the previous fiscal year. They may need to be re-issued if the recipient lost the check, or they may choose to donate the funds back.

### **Legal documents, treasurer’s notebooks, and supplies**

Upon taking office, it is recommended to conduct a thorough review of the legal documents’ notebook and treasurer’s notebook. When reviewing the legal documents notebook, refer to the *Legal Documents Notebook* resource available under [Leadership Guides](#) on the WSPTA website. Your PTA’s standing rules should define how many copies of the notebooks are maintained, and by whom.

There are numerous ways to organize a treasurer’s notebook. One method is by month, with meeting minutes, monthly financial reports, reimbursements, and other documents all filed together by month. Another method is by subject, with meeting minutes, monthly financial reports, reimbursements, and other documents filed separately by subject. There is no right way to organize the notebook, if all the necessary documents are organized in a consistent manner and easily found; this is beneficial when financial reviews are conducted.

Sample forms are available on the WSPTA website under [Leadership Guides](#).

Banking supplies, notebooks, and forms:

|   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>• Bank bag</li> <li>• Bank deposit stamp</li> <li>• Cash box count worksheet</li> <li>• Checkbook</li> </ul> | <ul style="list-style-type: none"> <li>• Deposit slips</li> <li>• Ledger or financial software</li> <li>• Receipt book</li> </ul> | <ul style="list-style-type: none"> <li>• Board roster and contact information</li> <li>• Request for payment form</li> <li>• Deposit detail form</li> </ul> |
|---|---|---|

The treasurer should maintain the following documents:

|  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Bank information             <ul style="list-style-type: none"> <li>○ Checking, savings, CD, investment accounts</li> <li>○ Online logins/passwords</li> </ul> </li> <li>• Copy of current bank signature card or documentation verifying that current bank signers are current elected officers</li> <li>• CPA firm and contact information (if applicable)</li> <li>• Monthly bank statements with reconciliation worksheets or reports</li> <li>• Meeting minutes</li> <li>• Approved budget</li> <li>• Monthly financial reports</li> <li>• Voided checks</li> <li>• Completed reimbursement/check request forms             <ul style="list-style-type: none"> <li>○ Receipts or invoices attached</li> </ul> </li> <li>• Current membership report</li> <li>• List of equipment owned by PTA</li> <li>• Sales tax filing from previous year, if applicable</li> <li>• Licenses: gambling, banquet, liquor</li> <li>• Financial review forms</li> <li>• Approved grant requests</li> </ul> | <ul style="list-style-type: none"> <li>• Contracts: current and expired</li> <li>• Copies of receipts acknowledging cash contributions</li> <li>• Copies of receipts acknowledging goods or services donated</li> <li>• Standing rules, policies, written procedures</li> <li>• Board and committee contact information</li> <li>• Legal information</li> <li>• Blank forms</li> <li>• Calendar of events</li> <li>• Legal filing dates</li> </ul> <hr style="width: 30%; margin-left: 0;"/> <p>Additional documents:</p> <ul style="list-style-type: none"> <li>• <i>WSPTA Uniform Bylaws</i></li> <li>• <i>Treasurer’s Handbook</i></li> <li>• <i>Managing Your Nonprofit PTA Handbook</i></li> <li>• <i>PTA &amp; the Law Handbook</i></li> <li>• <i>Online Financial Safety for PTAs</i></li> <li>• Checkbook</li> <li>• Deposit slips</li> </ul> |
|--|---|

## 5. Handling PTA funds

PTAs should have clear, **written** guidelines for handling funds. These guidelines provide assurance that all funds intended for the PTA are received and used by the PTA. Receipts should be given for all donations or other funds received by the PTA, whether in the form of a receipt, a letter, an acknowledgment, or other written or electronic form, and a copy should be maintained as part of the PTA’s financial records. Any donation of \$250 or more requires a receipt, per IRS rules. A *Sample Money Handling Policy* and *Receipt Samples* are available on the WSPTA website under [Leadership Guides](#).

## 5.1 Handling cash

At PTA events, if there is a cash box, it is permissible to use PTA funds to “stock” the cash box at the beginning of an event. This can be done with a PTA check signed by two authorized signers, payable to a PTA member who then takes the check to the bank and cashes it and brings the cash to the event. At the beginning of the event, the funds should be counted using a cash counting form. The starting inventory form should be confirmed by two PTA members (other than the one(s) providing the funds) and if a PTA check was used, the amount of cash in the box should be the same amount as the check.

At the end of the event, a tally sheet should be completed showing all cash in the cash box at the end of the event, before repaying the source of the initial cash.

The total amount of cash on hand at the end of the event should be verified by two PTA members and then delivered to the treasurer for deposit, with the treasurer signing to acknowledge that they have received the funds. If the cash box was stocked using individual funds, repayment should be by PTA check, or if necessary, by cash with the individual signing a receipt confirming that they received the money. The amount repaid should be the same as the amount reflected on the cash box starting inventory. If the cash box was stocked using PTA funds, this should be noted because the total income from the event reported in the financial records would be less than the total cash on hand by the amount initially placed in the cash box. **Sample forms for cash box count, receipt samples, and deposit detail are available on the WSPTA website under [Leadership Guides](#).**

## 5.2 Cash receipts

A receipt is a document that verifies someone has given money in exchange for goods and services, or which tracks receipt of funds following an event or activity. An official receipt of money is a legally recognized document used as proof that money was given for a transaction.

Treasurers should choose a receipt system that fits the needs of the PTA. Many treasurers prefer to use a two-part carbonless receipt book. When writing a receipt, the original receipt is

- 1) **Date:** when receiving funds
- 2) **From:** individual & committee (if applicable)
- 3) **\$:** the amount of money received
- 4) **Dollars:** amount of money spelled out
- 5) **For:** purpose, e.g. dues, carnival, raffle tickets, book fair
- 6) **Select** whether Cash, Check, Money Order, or Credit Card. Most transactions will be with cash or check. Write the check number.
- 7) **From:** name of your PTA.
- 8) **By:** name of individual issuing receipt.

**RECEIPT** No. **123456**

DATE \_\_\_\_\_

FROM \_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ DOLLARS

FOR RENT  
 FOR \_\_\_\_\_

ACCT. \_\_\_\_\_  CASH  
PAID \_\_\_\_\_  CHECK  
DUE \_\_\_\_\_  MONEY ORDER  
 CREDIT CARD

FROM \_\_\_\_\_ TO \_\_\_\_\_

BY \_\_\_\_\_

A-2501  
T-46820

torn out and given to the individual, and a copy of the receipt remains in the book. Custom receipts may also be created in a word processing program. Receipt samples are available on the WSPTA website under [Leadership Guides](#).

## 5.3 Depositing funds

Funds received at events should be counted immediately by two PTA members; each member should verify the total independently. Both PTA members should receive a copy of the count. This eliminates any questions about whether all funds were properly accounted for. A *Deposit Detail* form is available on the WSPTA website under [Leadership Guides](#).

Deposit slips are important banking records that should be completed with care. The information contained on a PTA deposit slip may be valuable later. For example, if properly filled out, a deposit slip can be used to ensure an individual paid for a membership or fundraiser and that the PTA deposited the check.

### 5.3.1 Preparing a deposit

1. Gather all checks to be deposited. Organize the checks according to deposit amount, from least to greatest. This will make it easier for both you and the bank teller to calculate the total deposit amount.
  - a. Endorse all checks to be deposited. If the bank does not provide an endorsement stamp, one can be purchased. Here is an example of what an endorsement stamp might look like:

***For Deposit Only***  
***Sample PTA***  
***Account # 123456789***

- b. Verify the correctness of all checks to be deposited. If the date is missing or incorrect, if the payee is incorrect (for example, the check is payable to the school and not the PTA), if the number and written amounts do not match, or the signature is missing, the bank may refuse the check and charge the PTA a fee. These checks must be corrected or replaced by the person who submitted them. Never alter a check that has been received in any way. Catching these errors before submitting a deposit will save time and money.
2. Complete the date portion of the deposit slip. If the deposit slip is not preprinted with the PTA name, address, and account number, complete this information as well.
3. Enter the total amount of cash to be deposited in the section marked “currency.”
4. Enter the first check number and check amount on line 1 of the next section. Continue entering check numbers and check amounts until all checks are included on the deposit slip. Some treasurers will write the last name instead of a check number.



- If you have many checks, many banks prefer that you enter the check numbers and amounts into a spreadsheet and total them, or that you run a tape from a printing calculator to show the checks in the deposit and the total. Attach the tape or spreadsheet to the deposit slip.
- Calculate the total cash and checks to be deposited and enter the amount in the box provided. Double-check the total before going to the bank. **Tip:** A common business practice is to make copies of the checks being deposited and save them with a copy of the deposit slip. This helps if there is a question regarding a specific payment from an individual. Once the checks have cleared, the check copies should be shredded. PTAs should check with their bank about whether the bank retains images of deposited checks to which they can have access.
- Once the deposit has been made, verify that the bank deposit receipt amount is identical to the amount submitted for deposit.

**DEPOSIT TICKET**  
 YOUR COMPANY NAME  
 City, State & Zip Code

DATE: 12/31/18  
 CURRENCY: \$  
 COIN: 1234

| DATE                  | CURRENCY | COIN | DOLLARS | CENTS   |
|-----------------------|----------|------|---------|---------|
|                       | \$       | 1234 | \$14    | .26     |
|                       |          |      | \$27    | .98     |
| TOTAL FROM OTHER SIDE |          |      |         | \$42.24 |
| PLEASE RE-ENTER       |          |      |         | \$42.24 |

② → DATE  
 ③ → CURRENCY  
 ④ → COIN  
 ⑤ → TOTAL FROM OTHER SIDE

②012345678② 22④334455 6①#

**Note:** Some banks are adopting technology that will eliminate the use of deposit slips.

- Depending on the bank, many ATMs do not require a deposit slip or envelope. When depositing checks at an ATM, the checks are scanned, providing an opportunity for the person depositing the checks to verify the amount prior to concluding the transaction. The depositor is also asked whether they want the scanned checks on the deposit receipt. It is recommended that the deposit receipt includes scanned checks for your records.
- Some PTA accounts have an online app that permits remote deposits of checks. Because it is not advised to store personal information, the check itself should be retained by the PTA only until it clears, at which point it should be shredded. The PTA also must have documentation from the bank showing that deposits were received. Banks vary in their available options, but this documentation may include confirmation emails or confirmation numbers and screens, which should be printed and included with the deposit record in the treasurer's files.

### 5.3.2 Night deposits

All funds should be promptly deposited into a PTA bank account. If your PTA does not use night deposit services, ask the bank manager if this is possible. When making a night deposit, use a locking deposit bag, or a self-sealing disposable deposit bag. Another person should accompany

the person making the deposit for safety and security purposes. A branch manager or specially trained commercial teller collects the deposit from the depository. The agreement between you and your bank determines who opens the bag and counts its contents. A bank may provide the option of leaving the bag unopened until a signer on the account is present at the bank. This delays the posting of the funds to the account, but it speeds the resolution of any accounting errors by you or the bank and prevents disputes. When the agreement with a bank allows it, the bank opens your bag and processes your night deposit on its next business day, in accordance with Federal Deposit Insurance Corporation (FDIC) regulations.

## 5.4 Accepting credit card payments

The ability for PTAs to accept credit and debit cards as payment is increasing in demand and becoming more widely available through use of devices that may be used as add-ons to consumer devices, such as smartphones or tablets.

When a PTA accepts credit cards, the accounting records must reflect both the actual revenue and the fees paid to the credit card processor. The entire charge should be recorded as income, and the fee as an expense. For example, if the PTA's membership dues are \$15.00, and the bank charges a 5% fee, the full \$15.00 should be recorded as revenue, and the fee ( $\$15 \times 5\% = \$0.75$ ) recorded as an expense.

- ✓ Do not use personal social security numbers to set up accounts for a PTA.
- ✓ Do not transmit cardholder's credit card data by email, mail, or fax.
- ✓ Do not store credit card data.
- ✓ Store all physical documents containing credit card data in a secure area such as a locked drawer, locked file cabinet, or locked office which the PTA solely controls.
- ✓ Do not store PIN or CVV2/CVC2/CID numbers.
- ✓ Do not share user IDs for system access.
- ✓ Never acquire or disclose any cardholder data without the cardholder's consent.
- ✓ Ensure that the person taking the credit card information and/or processing the transaction is properly trained in best practices.
- ✓ Each person who has access to credit card information is responsible for protecting it.
- ✓ Keep enough documentation for each transaction to ensure that disputed charges do not become a problem.
- ✓ When a refund is necessary, the refund **must** be credited to the same account from which the purchase/donation was made. You may not refund a credit card transaction by cash or check.

**Note:** For more information about accepting credit cards as a PTA, please refer to the *Managing Your Nonprofit PTA handbook*.

## 5.5 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 PTA disbursements by check shall be signed by two account signers. Disbursements made by electronic funds transfers shall require written preapproval by two account signers.
- Never sign a blank check.
- PTAs should not pay obligations with cash.
- A receipt or invoice from the company or person who was paid must be retained for the PTA's records. This receipt or invoice will provide proof that the disbursement of funds was proper and legitimate. Note that some store receipts fade quickly, so it may be better to have a copy of such a receipt rather than the original.
- For more information about online banking, refer to the resource *Online Financial Security for PTAs* on the WSPTA website under [Leadership Guides](#).

### PTA credit cards, debit cards, and ATM cards

The *WSPTA Uniform Bylaws* provides that "Use of a PTA debit card, credit card, or ATM card to disburse local PTA or council 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, the 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 person 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.

## 6. Account management

Each PTA must have at least one bank or credit union account into which it can deposit funds. (Not all credit unions provide business checking accounts.) 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 of directors must approve the opening or closing of any bank account. More information about bank accounts is included in the *Managing Your Nonprofit PTA* handbook.

### 6.1 Reconciling a bank statement

A reconciliation should be performed every month. A reconciliation reviews the income and expenses and compares what the bank has recorded with what you have recorded in your checkbook or accounting program. The process will help you identify discrepancies, possible

bank errors, or fraudulent activity that has happened in the PTA's account during the month. It will also let you know which transactions you have authorized that have not yet cleared the account, such as uncashed checks.

There are various methods available to you for monthly bank account reconciliation. You may do it electronically within your accounting software, by using the paper form on the bank statement, or by using your own customized form. Familiarize yourself with the sections of the bank statement.

| TO HELP BALANCE YOUR ACCOUNT   |        |        |                               |   |  |
|--|--------|--------|-------------------------------|---|--|
| Step 1- Update your checkbook record. Enter checks, interest credited, and service charges not recorded. |        |        |                               |   |  |
| Step 2- LIST OUTSTANDING CHECKS, ATM, POS, AND OTHER WITHDRAWALS below.                                  |        |        | Step 3 - Check Reconciliation |   |  |
| Number   | Amount | Number | Amount                        | Check Reconciliation  |  |
|  |        |        |                               | Ending Statement Balance  |  |
|  |        |        |                               | Add your deposits made but not shown on statement                   |  |
|  |        |        |                               | SUBTOTAL  |  |
|  |        |        |                               | Subtract your total outstanding checks & other withdrawals (step 2) |  |
|  |        |        |                               | This should agree with your checkbook balance                       |  |
|  |        | TOTAL  | \$                            |   |  |

## 6.2 Independent review of bank statements

**All bank statements must be reviewed before being sent to the treasurer by a board member who is not an authorized signer on the account.** 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 directly to the reviewer, or to another officer who provides it unopened to the reviewer. The *Non-signer Review of Bank Statements* form is available on the WSPTA website under [Leadership Guides](#).

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

For online-only accounts, there are two options:

- A non-signing board member who has been provided “read-only” access downloads and prints the bank statement. The non-signer reviews the statement for activity and potential red flags, sign and date the bank statement, then gives it to the treasurer to file with the financial records.
- The president (or designee) downloads and prints the bank statement, and then provides the copy to a non-signer to review. After the non-signer completes his or her review of

activity and notes any red flags, the bank statement is signed and dated and given to the treasurer to file with the financial records.

**Tip:** *It is recommended that individuals with signatory authority do not have online access to bank accounts to prevent potential theft.*

## 6.3 Copies of PTA checks

Most banks no longer provide cancelled checks, and many do not provide photocopies. Some will provide photocopies for a small monthly fee. However, most will provide “read-only” online access to allow copies of checks to be downloaded for free; this is an acceptable alternative if someone who is not an authorized signer is given such access and is expected to make the downloads at least monthly, and after review provides the copies to the treasurer for her or his records.

# 7. Financial reports

## 7.1 Monthly reports

A detailed, written financial report must be provided every month, either at a meeting of the board of directors or the membership. This regular financial report should be dated the first day of the month through the last day of the month and should be prepared after the accounts are reconciled. If the board or membership does not meet in a given month, a report should be delivered to each board member in-person or electronically. 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.

The report should include a line for each budget item that details:

- The financial figures for the month
- The year-to-date financial figures
- The budgeted amount
- The variance between year-to-date and budgeted amount

Additionally, the report must show the cash balance of all funds at the beginning of the fiscal year, at the beginning of the current reporting period, and at the end of the reporting period in the PTA bank account(s), separated into restricted and unrestricted amounts (see below for discussion of restricted accounts).

Accounting software will often have reporting capability built in. It is up to the treasurer, however, to choose and provide reports that give the board the most complete picture. Basic and advanced sample financial reports are available on the WSPTA website under [Leadership Guides](#).

In addition to financial reports, the treasurer should have the financial records available at each meeting to be able to respond to questions. The secretary should note in the minutes that a financial report was made each month, and if a financial report was not made, that should also be recorded along with the reason. The reports should not be attached to the minutes.

## 7.2 Annual reports

At the end of the fiscal year (June 30), the treasurer should prepare an annual financial report. This report should be dated July 1 through June 30. The report should show:

- The cash balance of funds at the beginning of the fiscal year, including all PTA accounts, separated into restricted and unrestricted accounts.
- All the actual income for the entire year (grouped by line items in the budget).
- All the actual expenses for the entire year (grouped by line items in the budget).
- The year's budgeted income/expense amounts for each line item.
- The variance between the actual amounts and the budgeted amounts.

The cash balance of funds at the end of the fiscal year, including all PTA accounts, separated into restricted and unrestricted accounts. This yearly report should be attached to the minutes as part of the permanent record of the PTA; however, monthly financial reports should only be noted as "presented" in the minutes and should not be attached.

## 7.3 Grants, restricted funds, and designated funds

**Grants** generally come with a contract and a set of expectations. A sum of money or a resource is given to the PTA with the expectation that it will be used in a pre-determined way. Grants usually are accompanied by rules that the PTA must follow as it implements the proposal that was funded. Typical rules include accurate tracking, documentation, and reporting of funds that have been spent. Grants often require that unused funds are returned, or that the PTA obtain permission before spending these funds in a way other than specifically authorized.

**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. 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.

**Income and expenditures** for designated and restricted funds, as well as current balances, are reported as part of the monthly and annual financial reports. Restricted and designated funds should be reported at the bottom of the monthly financial report separate from a PTA's income and expenses.

More information on designated and restricted funds can be found in the *Managing Your Nonprofit PTA* handbook in [Leadership Guides](#).

## 8. Membership dues

Dues collected during online member registration through the membership database shall be transferred electronically to the bank account established in the database by the local PTA. Each local PTA must have a bank account established in the database to receive these funds.

Invoices for the membership dues portions due to Washington State PTA and National PTA are generated monthly between the 5<sup>th</sup> and 10<sup>th</sup> of each month. Each invoice will include a list of new memberships added to the database for the billing period since the previous invoice. Check the invoices with the help of the membership chair to ensure they are correct. Errors should be reported to the WSPTA office at [support@wastatepta.org](mailto:support@wastatepta.org) before the invoices are paid. Overpayments to WSPTA cannot be refunded. Make sure that there are no duplicate entries listed in the membership database and that dues are paid correctly.

Payments shall automatically be made in full via e-payment (ACH) payments on the due date shown on the invoice. PTAs are required to utilize the e-payment option in the membership database to pay membership dues. The treasurer should document the approval of the other account signers for setting up the ACH payment.

### Council fees

PTAs that are part of a local council will receive a separate invoice for council fees, and these fees will be debited from the PTA account via an ACH payment on the date shown on the invoice.

Councils will receive their per member fees monthly, deposited into their bank account. Councils and each local PTA must have a bank account associated with the database ACH system for processing fee payments, per *WSPTA Policy* Section 3.3.2.

## 9. Internal Revenue Service (IRS)

The IRS is the federal agency responsible for many of the regulations which govern PTAs. It is important for PTA boards and treasurers to be aware of the ways in which IRS regulations impact their responsibilities. PTA treasurers should take the time to learn more about these regulations by attending a *PTA and the Law* class and reading the *PTA and the Law* handbook.



The IRS:

- Issues a PTA's Employer Identification Number, or EIN.
- Approves a PTA's tax-exempt status under Section 501(c)3 or 501(c)4.
- Sets regulations regarding charitable contributions.
- Receives yearly informational filings of IRS Forms 990, 990-EZ, and 990-N.
- Sets regulations regarding Form W-9 and Form 1099-MISC filings for independent contractors.

For the IRS, form 8822-B needs to be completed any time there is a change in responsible party for a PTA. The responsible party is usually the President or Treasurer; it is the person who signs the 990 information return. The address for the WSPTA office can be put on the form.

## 10. Other legal requirements

### 10.1 Registered Agent

Every corporation doing business in Washington state, including PTAs, 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 WSPTA.

To change your registered agent to WSPTA with the Washington Secretary of State, you can go online to access a [Statement of Change](#). The service is free of charge. You can also update registered agent information at the time of filing a Nonprofit Corporation Annual Report. More information can be found in the Registered Agent FAQ on the WSPTA website under [Leadership Guides](#).

### 10.2 Nonprofit Corporation Annual Report

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. The Secretary of State mails a renewal postcard to the registered agent. If Washington State PTA is the registered agent, the renewal postcard will be forwarded to WSPTA who will then email it to the current officers of the PTA. The annual report has a \$10 filing fee. A PTA may be administratively dissolved by the Secretary of State if the annual report is not filed in a timely manner. When this happens, the PTA is no longer a nonprofit corporation and will lose its tax-exempt status with the IRS. To reinstate a PTA's corporate status, contact the WSPTA office for assistance.

Instructions to complete the Nonprofit Corporation Annual Report can be found on the WSPTA website under [Leadership Guides](#).



## 10.3 Charitable Solicitations Act

The Washington Charitable Solicitations Act requires certain charities be registered with the charities program of the Secretary of State's office. Because PTAs are tax-exempt organizations, these requirements apply to them. The type and cost of registration depend on the total income received by the PTA during a fiscal year. When determining whether the PTA is required to register under the Charitable Solicitations Act, all membership dues and fees are included, including the portion forwarded to WSPTA for WSPTA and National PTA dues and council fees. If registration is required, use the same method for reporting total income to the charities program.

### **For PTAs with total income of \$50,000\* or more in a fiscal year**

Registration is required, as is the annual renewal that must be filed every year no later than May 31 following the end of the fiscal year. The cost of registration is \$60, and the annual renewal fee is \$40. A late fee of \$50 is charged if the annual renewal is not filed on time. \*\*

### **For PTAs receiving total income\* of less than \$50,000:**

Even though PTAs with a total income of less than \$50,000 are not required to register, WSPTA encourages them to file the optional registration form, which can be completed online and is free. **It is important to note that once a PTA has created an account with the Secretary of State, they must update it yearly, even if filing is optional.**

**Note:** PTAs with total income\* of less than \$50,000 who hire a commercial fundraiser to assist with fundraising activity are required to complete a registration form. More information is available in PTA and the Law.

\*Total income: All income from every source before any deductions for expenses. (For the Charities Program, this includes all dues paid by your members.)

\*\* The renewal must be received by the Secretary of State office by May 31. Washington's Secretary of State has an online submittal portal ([sos.wa.gov](http://sos.wa.gov)), or paper forms may be downloaded and mailed (allow extra time for this option.) There are instructions for completing the forms on the WSPTA website in [Leadership Guides](#). A PTA may complete its Charitable Organization Registration when it has completed its Form 990 or 990-EZ.

## 10.4 Reseller permit

A reseller permit is a document issued by the Washington State Department of Revenue to allow PTAs to purchase goods that are intended for resale without having to pay retail sales tax on the original purchase. If you run a business (e.g., student store, concessions stand, etc.) that purchases items to resell, you should obtain a reseller permit to avoid any unnecessary tax consequences for your purchases.

The PTA may not use a reseller permit to buy:

- Items for personal or household use.
- Items to be given away.
- Items used in the business, such as supplies and equipment.
- Items used by the business in performing the business activity even if billed to customers.
- Tools or equipment, (unless you are in the business of directly reselling or renting out such items).
- Equipment rentals.

Reseller permits are free and available online from the Department of Revenue. General information regarding reseller permits can be found online: <https://dor.wa.gov/find-taxes-rates/retail-sales-tax/reseller-permits>

## 11. Budget development

It is strongly recommended 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 spend budgeted funds when the new fiscal year begins on July 1.

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 one and two with each other.

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

A budget or finance committee usually develops the budget. The treasurer chairs the committee. 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. It can also help with the transition between outgoing and incoming treasurers. Sample budgets are available on the WSPTA website under [Leadership Guides](#).

## 12. Financial review

In accordance with the *WSPTA Uniform Bylaws*, the PTA treasurer is required to close the books as of June 30 and submit the books for a financial review within 30 days.

A financial review may be conducted at any time but should be done in a timely manner. The financial review involves an examination of the financial transactions of the PTA, and the procedures used to conduct those transactions.

The treasurer is the custodian of the funds of the PTA and is charged with the responsibility to deposit and disburse funds, and to keep accurate records. It is very important that the PTA's financial records be well organized for the review. It is the treasurer's responsibility to gather all financial records for delivery to the financial review committee. The treasurer may choose to do a mock review to check for any errors or missing information prior to the actual financial review. The treasurer, while not a member of the financial review committee, is a resource for the committee. The treasurer is normally not physically present when the financial review committee meets but should be available by phone to answer questions.

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.

Items to be delivered to the financial review committee:

- Most recent financial review
- All financial reports for current fiscal year
- All bank and investment statements for current fiscal year
- All checks, deposit slips, receipts, invoices, and all other records (checks may be accessed on bank website)
- Register/financial software report listing all checks written and all deposits made
- Copy of bank signature card(s) or documentation that current bank signers are current elected officers
- Minutes of all board and membership meetings for the current and previous fiscal year
- Copies of all contracts and grants made or received
- Copies of application for Tax-Exempt Status (IRS Form 1023 or Form 1024), IRS Letter of Determination
- Copy of 990/990-EZ/990-N form filed previous year
- Annual/year-end treasurer's report for the current and previous fiscal year
- Copy of online logins and password procedures
- List of online accounts maintained by the PTA
- List of equipment owned by the PTA
- Copy of insurance renewal
- Copy of Articles of Incorporation
- Current annual corporation report
- Current charitable organization registration
- Current membership report
- Sales tax filing (if any) for previous calendar year

**Note:** *The 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 and financial obligations.*

## 13. Transition

Upon leaving office, the treasurer should perform the following to provide a smooth transition for the incoming treasurer:

- Participate in the development of the budget for the next year.
- Verify that all membership dues have been paid.
- Pay any outstanding bills (if appropriate).
- Complete the June 30 monthly financial report.
- Make sure all transactions are entered and the bank reconciliations are up-to-date for the entire year.
- Complete the annual financial report.
- Note any items that the incoming treasurer needs to address that might be unusual (i.e., outstanding or NSF checks, etc.).
- Complete IRS Form 990, 990-EZ or 990-N.
- Complete the charitable organization registration due the following May 31, if applicable.
- Check that the treasurer's notebook is up-to-date and organized.
- Submit the books/records to the financial review committee.
- Ensure that all banking supplies are stocked and on hand (checks, deposit slips, endorsement stamp, etc.).
- Train the incoming treasurer and make sure they know how to access resources on the WSPTA website.
- Ensure the new treasurer has the login information for all PTA online accounts, and changes the passwords after July 1.

## 14. Safeguarding PTA funds

As custodian of the PTA's funds, it is the treasurer's responsibility to be fiscally prudent and safeguard the PTA's assets.

Tips to prevent theft:

- Ensure that bank statements are reviewed by a non-signer promptly every month.
- Reconcile bank accounts monthly. The importance of bank reconciliation should not be overlooked; it must be completed monthly before the financial reports are generated.
- Verify that your PTA has secure, written internal controls for all electronic transactions. All transactions must have two bank signer authorizations. Beware of scams that attempt to lure you into making transfers or wires.

- Verify cash logs. Verify cash receipts with the cash log and with bank deposit slips.
- Re-count cash. Have a second PTA member involved in verifying the cash count.
- It is recommended that adults count funds. Students who are paid PTA members may count funds outside school hours (from 30 minutes after dismissal through midnight the same day), but PTAs should be aware of ASB regulations around student fundraising and should work with the principal to be aware of any additional policy or limitations imposed by the school district.
- Make bank deposits immediately. It is the association's money, and it should have access to it as soon as possible.
- Protect checks. Store checks in a secure area, never pre-sign checks, limit the number of check signers and bank accounts, use pre-numbered checks, watch for missing checks or checks used out of sequence, and do not make checks payable to cash.
- Document bills and requests for payment. Mark invoices as paid and file them in a timely fashion. Do not pay a photocopied or altered invoice; the description of service on an invoice should be clear and understandable. Do not make unauthorized refunds.
- Prepare monthly financial statements on reconciled accounts. Financial information should always be timely and complete.
- Ask for proof of payment. Ask for proof of timely tax payments or other payments such as membership, insurance, sales tax, incorporation fee, and other fee payments.
- Ask for proof of filing. If the association is required to file a Form 990 and/or other legal documents, ask for proof of timely filing.
- Prepare a budget. Use your budget as a control document for comparison to actual expenditures.
- Ask questions!

## 15. Glossary of financial terms

**990/990-EZ:** Internal Revenue Service forms that may be required annually by the IRS. These are informational only. The form a PTA files is determined by the annual total income of the PTA.

**990-N:** A PTA that has a total income of less than \$50,000 must file an electronic 990-N (e-postcard) each year with the Internal Revenue Service.

**Form 1023-EZ:** A streamlined application for recognition of exemption from federal income tax under section 501(c) (3). Must meet the eligibility requirements in the Form 1023-EZ checklist.

**Form 1023-EZ Checklist:** Eligibility worksheet to see if a PTA qualifies to complete the streamlined Form 1023-EZ. If the PTA does not qualify, it must file the regular Form 1023.

**Form 1024:** Application for recognition of exemption from federal income tax under section 501(c) (4).

**Form 1099-MISC:** The IRS form to be used to report payments made to an unincorporated business or individual in the course of trade or business (e.g.: performers, presenters, rents, payments of prizes).

**Form W-9:** IRS form used to request taxpayer information so that a PTA may properly report to the IRS payments for services provided by independent contractors to the PTA.

**ASB (Associated Student Body):** A structure within a school system that is self-governing. ASB has elected student officers, its own budget and works under the guidance and regulations of a school district.

**Accounting/bookkeeping:** The process of identifying, measuring, recording and communicating the financial information of an organization.

**Articles of Incorporation:** The certificate of incorporation or corporate charter that states the primary rules governing the management of a corporation in the United States. They are filed with the Secretary of State.

**B & O:** Business & occupation tax assessed on the gross receipts of a business.

**Board of directors:** A PTA's board of directors is made up of those individuals, either elected or appointed, who are defined by the local PTA's standing rules as members of the board of directors.

**Budget:** A financial plan for an organization that expresses the goals and objectives (the programs and activities) in terms of income and expenses. The goals of the organization drive the budget.

**Business license:** A certification that grants the privilege of operating a certain type of business. Needed if a PTA's activities gross \$12,000 or more per year, if it sells a product, or if it provides a service that is taxable for Washington state sales tax. Business licenses may be required by the state of Washington, by a city, and/or by a county.

**Carryover/reserves/surplus:** Surplus is 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. Carryover is surplus that is used for operating expenses during the next fiscal year. Reserves are surplus funds invested/saved to help cover the expenditures of the PTA in case something tragic happens. PTAs should plan to maintain a sufficient amount of reserves to cover their operating expenses for six months to a year in case of failure of one or more fundraising activities. The board of directors should recommend an amount, and the membership should vote on it.

**Charitable Solicitations Renewal:** Charitable organizations are required to register with the Charities Program prior to fundraising in Washington state. Registration is separate from and in addition to documents filed to meet state corporate laws or IRS requirements. This registration must be renewed yearly prior to May 31.

**Corporation renewal:** This is also known as nonprofit renewal. This is a nonprofit corporation's annual report that updates the Washington Secretary of State's office with the current officers, the registered agent and the nature of the business of a PTA.

**Designated funds:** Funds set aside for a specific purpose where there is a need to accumulate money over a period of time. The board of directors and the membership vote to establish a separate account within the PTA's records to set up and accumulate these funds.

**EIN (Employer Identification Number):** This is the corporate equivalent of a Social Security number. An EIN is required in order to open a bank account or file for nonprofit status.

**Expenses:** Those transactions where the organization spends money in order to buy or do something.

**Executive committee:** A committee of the board of directors which consists only of the elected officers of the organization.

**Financial report/balance sheet/income sheet:** A financial statement prepared for a defined time interval (monthly and yearly). This statement summarizes the organization's income and expenses.

**Financial review:** A financial review involves examining financial records and transactions to ensure that receipts have been properly accounted for and expenditures have been properly authorized and recorded in minutes in conformity with PTA bylaws, standing rules and budget limitations.

**Fiscal year:** A 12-month period at the end of which all accounts are completed in order to finish an annual financial report for the organization. This report may be used for tax purposes. The fiscal year does not necessarily correspond with a calendar year. The WSPTA fiscal year for local PTAs and councils is July 1—June 30.

**Gifts:** A sum of money or a resource that is given to your PTA with nothing or very little expected in return, except a thank-you note and receipt.

**Grants:** A sum of money or a resource given to your PTA with the expectation that it will be used in a particular way (e.g., a specific project or equipment), and appropriate performance or reporting is expected. Typically, a grant comes with a contract and a set of expectations.

**Income/revenue:** Any amount of money received over a period of time either as payment for work, goods, or services, or as profit on capital (savings account, or CDs).

**Inurement:** The benefit of private interests. No part of the net earnings of a 501(c)(3) organization may inure to the benefit of any private individual, or person having a personal and private interest in the activities of the association.

**Membership dues:** The portion of money per member that is collected by PTAs for the



Washington State PTA and National PTA, and, where applicable, council dues.

**Net income:** The difference between all money received and all money expended during a given period of time. A net income may be positive or negative.

**Receipt:** A written or printed acknowledgment that money has been received by the organization. A duplicate receipt system should be used so both parties have a copy.

**Registered agent:** All nonprofit corporations have to interact with government agencies, most commonly the Washington State Secretary of State's office and the federal Internal Revenue Service (IRS). By designating Washington State PTA as the registered agent, a PTA gives those agencies one single point of contact when they need to get information to or from the PTA.

**Reseller permit:** A permit that certifies a PTA is authorized to purchase items to resell from a distributor or wholesaler without paying Washington state sales tax at the time of purchase.

**Restricted funds:** 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. 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.

**Total expenses:** All expenses paid by the organization.

**Total income/revenue:** All income from every source before any deductions for expenses. When determining which IRS informational return to file, deduct the membership dues sent to a council or WSPTA from total income, and report total income in the same manner when completing the return. When determining whether the PTA is required to register under the Charitable Solicitations Act, all membership dues are included, even though a portion is forwarded to a council or to WSPTA. If registration is required, use the same method for reporting total income to the Charities Program.

**UBI (Unified Business Identifier):** This is a number assigned to your PTA that identifies your PTA as a group engaging in business activities in Washington state.

**UBIT:** Unrelated business income is defined as income derived from 1) a trade or business, 2) which is regularly carried on, and 3) which is not substantially related to the performance of tax-exempt functions, i.e., it does not contribute importantly to the achievement of tax-exempt purposes.