

PTO TODAY[®]

TREASURER'S TOOLKIT



PTO^{TODAY} TREASURER'S TOOLKIT

About This Toolkit

This toolkit was written to be user-friendly for the non-accountant. Our guiding principles in writing it were to apply good common sense, strict financial controls, an emphasis on best practices, and a sincere respect for the responsibilities of the parent group treasurer. It was originally written by Christy Forhan, an experienced treasurer, parent group president, and frequent contributor to PTO Today magazine, and it is kept up to date by the staff of PTO Today. We welcome feedback on this and all PTO Today publications. Please send your thoughts to editor@ptotoday.com.

About PTO Today

PTO Today provides information and services to help parent group leaders run their groups more efficiently and serve their schools more effectively. It's our mission to see effective and enthusiastic parent groups at every school, and we know that supporting volunteer leaders is the best way to reach that goal. Our services include:

- [PTO Today magazine](#), published several times a year and sent free to every K-8 parent-teacher group in the country.
- [PTOtoday.com](#), with thousands of pages of information and resources.
- An active [Facebook group for parent group leaders and volunteers](#); join this closed group to network with other volunteers like you.
- [School Family Nights](#), our exclusive involvement program; planning kits are available free to parent group leaders.
- [PTO Today Live Expos](#), regional events providing access to parent group products and services. There is simply no other event like it anywhere in the country.
- PTO resources like this toolkit. We offer [expert guides on key topics](#), a parent group hotline, [insurance discounts](#), and more through [PTO Today Plus](#) and our [online store](#).

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How To Use This Toolkit

Keeping financial records is detail work. This toolkit was written to support parent group treasurers in several ways. For new treasurers, it's a how-to guide of the essential tasks and procedures needed to properly manage your group's finances. **If you received little or no training**, either because your group is new or because the treasurer wasn't available to train you, read Chapters 1 through 7 to better prepare you to serve your group.

For experienced treasurers, or as an aid throughout the school year, this book is a reference manual when you're in a new situation or want a refresher on recommended practices.

This toolkit also provides a number of forms designed for the way parent groups operate. The concept is simple: It's crucial to create a record any time you receive or spend money. Using these forms makes it easy to track the money and helps immensely in making future financial decisions.

The tools include customizable templates for common worksheets, reports, and other documents relevant to parent group finances. In particular, you should fill in your own group's details anywhere there's red text within these tools. It's important that you change or delete the red text before distributing each piece. The tools can also be downloaded individually from the [PTOtoday.com File Exchange](https://ptotoday.com/file-exchange).

If you have any suggestions or ideas for updates to this toolkit, we'd love to hear from you. Email editor@ptotoday.com with your feedback.

One last thing: Thank you for all you do on behalf of schools. The work you do is important and truly makes a difference. It's a message that parent group leaders don't hear nearly often enough!

Chapter 1:

The Treasurer's Role

Parent group treasurer isn't a glamorous job. Volunteers rarely clamor for the position. But you know it's one of the vital roles that helps a group fulfill its mission effectively. You've accepted the responsibility, are ready for the challenge, and will do more to support your parent group and school than most people will ever know. Next to the president, the treasurer is the most important member of the parent group executive board.

Being a treasurer means you're handling other people's money. Things must be done in a way that ensures integrity and accuracy, not creativity. There's a lot to learn, but it's predictable, easily documented, and consistent from month to month.

You probably have an intuitive sense of what the job entails, but the real work is in the details. Taking the time to understand the specific duties before you get started will help you serve confidently and successfully.



TOOLS

- PTO Treasurer Job Description and Duties



BEST PRACTICE

The entire board is responsible for protecting parent group funds. The treasurer is the point person, but the whole board makes decisions and sets policies for those funds. You don't act alone. If your group doesn't have financial controls in place already, push to implement them so that you as treasurer—and your group's money—are well-protected.

Job Description

The PTO treasurer is the custodian of the parent group's funds. The treasurer helps develop the budget, collects fundraising money, writes checks for purchases and reimbursements, tracks income and spending, makes financial reports, and organizes the books for annual audit. As a member of the executive board, the treasurer represents the parent group, and thus her actions reflect upon the reputation of the group and the school.



BEST PRACTICE

The treasurer's primary purpose is to provide accurate and timely financial information to support decisionmaking. Everything else you do should support this purpose.

Responsibilities

1. Support decisionmaking with accurate and timely financial information
2. Apply sound financial controls and best practices to ensure security of the group's funds
3. Oversee all financial transactions
4. Maintain and reconcile all bank accounts
5. Monitor performance to budget throughout the year
6. Report regularly to the executive board and general membership
7. Preserve financial records, such as invoices, monthly reports, and budgets
8. Train successors
9. Carry out other responsibilities of a member of the executive board
10. Perform all duties in a timely and accurate manner

Qualifications

1. Honesty, integrity, and tenacity
2. Willingness to apply best practices and tight financial controls
3. Strong analytical and computer skills
4. Ability to keep organized and accurate records
5. Ability to devote adequate time to the position
6. Sincere desire to work in the best interest of the PTO, setting aside personal opinion

If your group doesn't have its own treasurer job description, start with the one included with this toolkit.

9 Things Every Treasurer Should Know

1. **Your PTO's tax ID number**, formally called the employer identification number (EIN).
2. **Your group's bank account number**. Some groups use a bank account under the school's tax ID number, which isn't recommended. Worse yet, some open their account under a member's personal social security number, which can create significant tax issues. The best approach is to get your PTO its own EIN from the IRS and open the bank account under that number.
3. **The end of your PTO's fiscal year**. This is a key date for keeping financial records.
4. **The meaning of "501(c)(3)."** That's the section of the federal tax code under which certain organizations, including parent groups, can qualify for federal tax-exempt status.
5. **Whether your PTO is a federally recognized 501(c)(3) organization**. If are registered, your group should have a "determination letter" from the IRS in its files that declares your PTO a federally tax-exempt charitable organization. If you're not sure, call the IRS.

6. **The telephone number of the IRS (877-829-5500).** Despite their reputation, IRS representatives can be quite helpful.
7. **Whether your PTO is incorporated in your state.** Typically, incorporation is renewed annually. You should see evidence in your files that your group has been submitting the renewals.
8. **How sales tax exemption is determined in your state.** Rules vary from state to state. Check with your state's treasury or commerce department or on the state website for specifics.
9. **The location of past 990-series forms, the IRS's annual tax information return for 501(c)(3) organizations.** If your PTO is a 501(c)(3) group, you should have copies of past 990 forms on file. If you can't find any in your files and you're certain your PTO has 501(c)(3) status, call the IRS to find out whether your PTO has been negligent in filing the form.

PTO Treasurer Job Description and Duties

Job Description

The PTO treasurer is the custodian of the parent group's funds. The treasurer helps develop the budget, collects fundraising money, writes checks for purchases and reimbursements, tracks income and spending, makes financial reports, and organizes the books for annual audit. As a member of the executive board, the treasurer represents the parent group, and thus her actions reflect upon the reputation of the group and the school.

Characteristics

- Desires to serve the PTO, the school, and ultimately the students
- Computer literate—must know how to use Excel and Quicken or be willing to learn
- Appreciates the value and power of a balanced budget
- Appreciates the value of a paper trail; willing to follow through on tight financial controls
- Honest, organized, and tenacious; not put off by paperwork, forms, documents, numbers
- “In touch” with school activities and PTO business, or wants to become in touch
- Understands that this role is the custodian of other peoples' money

Time Commitment

- Board meeting monthly
- General PTO meetings monthly
- Most work can be done on your own schedule

Typical Monthly Responsibilities

- Post financial transactions to our financial system as they occur throughout month
- Create monthly PTO treasurer reports (transaction report, performance to budget report)
- Reconcile checkbook
- Write checks as needed (two signatures and proper paperwork required)
- Make deposits in a timely fashion, as needed
- Keep financial transaction forms available for all volunteers
- Preserve financial records, including invoices and control forms

Typical Annual Responsibilities

- Lead annual budget development process in August
- Present budget for approval at September PTO meeting
- File Form 990-EZ (annual IRS information return required for 501(c)(3) groups)
- Renew incorporation with the state
- Facilitate annual financial review (audit)

Training and Resources

- One-on-one with outgoing treasurer
- Articles about treasurer topics
- Past files and examples
- Computer files
- PTO Today Treasurer's Toolkit

Treasurer's Month-by-Month Checklist

After You're Elected

- ☐ Talk with outgoing treasurer to get training
- ☐ Review preliminary budget and ask questions
- ☐ Set date for formal transition of records
- ☐ Find out policy for handling school mail during summer (Pick it up? Where? How often?)
- ☐ Review each section below two months ahead of time to give yourself time to learn more

July

- ☐ Reconcile checkbook
- ☐ Create monthly treasurer's report to share with president
- ☐ Create monthly transaction report to share with board
- ☐ Prepare annual budget
- ☐ Update bank account addresses and signature cards
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

August

- ☐ Reconcile checkbook
- ☐ Create monthly treasurer's report to share with president
- ☐ Create monthly transaction report for executive board
- ☐ Finalize annual budget
- ☐ Confirm incorporation renewal date (and add to checklist)
- ☐ Confirm IRS Form 990-series due date (and add to checklist)
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

September (or beginning of fiscal year)

- ☐ Reconcile checkbook
- ☐ Make deposits regularly
- ☐ Prepare for first fundraiser
- ☐ Present annual budget for approval
- ☐ Create monthly treasurer's report to share with president
- ☐ Create monthly transaction report for executive board
- ☐ Provide cash boxes as needed for family events
- ☐ Make copies (or share electronic versions) of blank financial transaction forms:
 - Reimbursement Request Form
 - Check Request Form
 - Deposit Notice Form
 - Deposit Split Form
 - Miscellaneous Charge Form
 - Cash Box Request Form
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

October

- ☐ Reconcile checkbook
- ☐ Make deposits regularly
- ☐ Process reimbursement requests and check requests as needed
- ☐ Create monthly treasurer's report to share with president
- ☐ Create monthly transaction report for executive board
- ☐ Provide cash boxes as needed for family events
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

May

- ☐ Reconcile checkbook
- ☐ Make deposits regularly
- ☐ Process reimbursement requests and check requests as needed
- ☐ Create monthly treasurer's report to share with president
- ☐ Create monthly transaction report for executive board
- ☐ Review performance to budget and estimate ending balance in PTO bank account
- ☐ Create preliminary budget for review by current officers
- ☐ Recruit new treasurer if needed
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

June

- ☐ Reconcile checkbook
- ☐ Make deposits regularly
- ☐ Process reimbursement requests and check requests as needed
- ☐ Create monthly treasurer's report to share with president
- ☐ Create monthly transaction report for executive board
- ☐ Find out policy for handling school mail during summer (Pick it up? Where? How often?)
- ☐ Organize your files
- ☐ Train your replacement
- ☐ Refine preliminary budget
- ☐ Turn over all files to new treasurer, including checkbook and preliminary budget
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

March

- ☐ Reconcile checkbook
- ☐ Make deposits regularly
- ☐ Process reimbursement requests and check requests as needed
- ☐ Create monthly treasurer's report to share with president
- ☐ Create monthly transaction report for executive board
- ☐ Analyze performance to budget and update executive board
- ☐ Adjust budget plans for rest of school year based on surplus or deficit
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

April

- ☐ Reconcile checkbook
- ☐ Make deposits regularly
- ☐ Process reimbursement requests and check requests as needed
- ☐ Create monthly treasurer's report to share with president
- ☐ Create monthly transaction report for executive board
- ☐ Recruit auditor for annual financial review
- ☐ Start thinking about next year—will you stay on as treasurer?
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

January

- ☐ Reconcile checkbook
- ☐ Make deposits regularly
- ☐ Process reimbursement requests and check requests as needed
- ☐ Create monthly treasurer's report to share with president
- ☐ Create monthly transaction report for executive board
- ☐ Provide cash boxes as needed for family events
- ☐ Analyze performance to budget—running a surplus or deficit?—and update executive board
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

February

- ☐ Reconcile checkbook
- ☐ Make deposits regularly
- ☐ Process reimbursement requests and check requests as needed
- ☐ Create monthly treasurer's report to share with president
- ☐ Create monthly transaction report for executive board
- ☐ Provide cash boxes as needed for family events
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

November

- ☐ Reconcile checkbook
- ☐ Make deposits regularly
- ☐ Process reimbursement requests and check requests as needed
- ☐ Create monthly treasurer's report to share with president
- ☐ Create monthly transaction report for executive board
- ☐ Provide cash boxes as needed for family events
- ☐ Review fundraiser invoices with committee chairs before writing checks
- ☐ Review performance to budget and update executive board
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

December

- ☐ Reconcile checkbook
- ☐ Make deposits regularly
- ☐ Process reimbursement requests and check requests as needed
- ☐ Create monthly treasurer's report to share with president
- ☐ Create monthly transaction report for executive board
- ☐ Provide cash boxes as needed for family events
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

Chapter 2:

Getting Organized

The job of treasurer involves handling a lot of files, both electronically and in print. Forms, invoices, reports, receipts, and canceled checks all must be kept organized and accessible. So one of the first things you should do as treasurer is set up your filing system.

Basic requirements include the following items:

A shared file you can access from a laptop or mobile device or a three-ring binder with tabs to organize day-to-day materials.

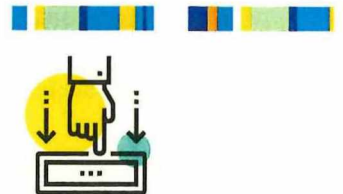
The following items are discussed in detail later in this guide; form templates are included with this toolkit, organized by chapter:

- Most recent monthly performance to budget report
- Most recent monthly transaction report
- Transaction log
- Annual budget
- Blank transaction forms
- Copy of bylaws
- Most recent meeting minutes

A secure place to store the checkbook and register. A sturdy fabric pencil case can hold a standard checkbook and register when you need to carry it with you.

A portable file box with these hanging folders, **or shared online files** for items maintained electronically:

- Reimbursement requests, completed
- Check requests, completed
- Deposit notices, completed



TOOLS

- Treasurer Month-by-Month Checklist

- Blank transaction forms for the above three items
- Bank statements, filed chronologically
- Canceled checks or check images
- Banking information (account setup paperwork)
- Contracts involving the parent group
- IRS and state-level paperwork
- Other financial paperwork applicable to your group, such as a member list, pending follow-up letters for bounced checks, open purchase orders, etc.

A sturdy three-hole punch if you're using a binder for day-to-day materials.

A file or mailbox at school where members can pick up or drop off transaction forms and notes for the treasurer.

When you take office, you must also take possession of the group's past financial files from your predecessor. Store historical financial records in a secure location at the school rather than at a member's home. In case you ever need to dig into financial history, the records should be easy to locate—and if your PTO has property insurance, they'll be protected by your insurance policy if anything happens.



BEST PRACTICE

Keep old financial files for seven years, including canceled checks, bank statements, paid invoices, receipts, and deposit slips.

Monthly treasurer reports are kept for three years.

All other relevant organizational paperwork is kept permanently:

- Incorporation paperwork
- Application and supporting documentation for IRS Form 1023
- IRS determination letter for 501(c)(3) tax-exempt status
- Meeting minutes and agendas
- Year-end treasurer reports
- Annual financial review reports from auditor

At the start of your term, begin a sort of diary of the activities you perform as treasurer. A general month-by-month checklist is included with this toolkit; you can also use it as a place to record the actual activities of your group. Every time you complete a new or significant task, jot it down. By the end of the year, this real-life chronological account will be an essential tool to help train the next treasurer.

Review Your Banking Relationships

Employer Identification Number (EIN)

As an independent organization that handles money, your parent group needs its own bank account. The first step in starting an account in the group's name is to get an employer identification number (EIN) from the IRS. An EIN is the equivalent of a social security number, but for a business. Having your own EIN identifies your organization as a legal entity in the eyes of the IRS, even though it's unlikely that your PTO will hire any

employees. Note that getting an EIN doesn't make your group automatically tax-exempt. More information about getting an EIN can be found in the [PTO Startup Toolkit](#).

If your group is handling its own money, it must have its own account. When you go to the bank to set up an account, use the EIN as the account holder's identification number.



BEST PRACTICE

Never put parent group money into an individual person's bank account. This exposes the group to risk. It also puts inappropriate responsibility—and possibly tax liability—on the account owner.

Have your monthly bank statement mailed to someone other than (or in addition to) the treasurer, preferably an officer who is not authorized to sign checks. This officer reviews the statement and initials it, then passes it to the treasurer to be reconciled.

Review your group's canceled checks every month. This helps with balancing the checkbook, ensures that the account hasn't been tampered with, and supports the annual audit.

Request two separate signature lines when you order checks.

Use the school's address on the checks, but do not print your group's EIN on the checks.

Types of Accounts

Most groups set up one small business checking account for all of their financial needs. Typically, all money flows into and out of this account. Larger groups with significant long-term savings might consider moving some of their money into an interest-bearing account such as a money market account.

People often ask whether nonprofit groups are allowed to earn interest. Your group *is* allowed to save money from year to year. In fact, it's a good idea to carry over some money so you won't have to run a fundraiser

as your first event of the year. Your group may also invest in stocks and bonds, certificates of deposit, mutual funds, and any other standard investment tool. Tax codes primarily regulate how nonprofits *spend* their money, not how they *save* it.

For every bank account established in the group's name, keep the setup paperwork in your files in case you need to refer to the terms and conditions.

Banking is a competitive industry. Even in a local area, fees can vary a lot from institution to institution. It's good practice to review your banking relationship annually to see whether the group is being charged fees that are too high. Shopping for an alternative financial institution can often save hard-earned cash. Read Appendix B, "Changing Banks: The Basics," for specific advice.

When new officers are elected, the bank records must be updated to reflect the change. Typically, two or three parent group officers are authorized to access the account as check-signers. It's vital that you update the officer information and signature at your account's home branch as soon as the new officers take over, even if it's summertime. Rules vary, so check directly with your bank to see what paperwork is required to update the account. See Chapter 6 for more end-of-year tasks.

As treasurer, you're responsible for reconciling the account each month. The bank will issue a monthly statement for your account, which is your primary information source. (This process is covered in Chapter 5.) You can also have your group's canceled checks (or a scanned image) returned with the statement each month. Some banks will charge a fee to return your canceled checks, but it's good financial practice to visually review each one. When shopping for a bank, consider selecting one with little or no fee for providing canceled checks.

Chapter 3:

Budgeting

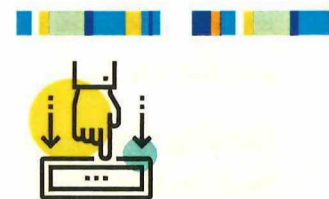
A parent group's budget is the financial plan for the year. The budget can be developed at a high level even if your group's objectives are newly defined (or you haven't determined what they are yet). Even a high-level budget with only a few details can be a useful tool.

At the other end of the scale, a budget can go into a lot of detail based on actual past activities and reliable future forecasts for the organization. Either way, a properly managed budget is an essential tool to support decisionmaking for your group.

The main goal for preparing an annual budget is to provide the parent group with a financial road map for the year. This comes with many benefits:

- The parent group has a direction for the current year.
- The members know whether they're achieving their plans.
- Individual officers don't carry the burden of deciding how to spend group funds.
- Personal agendas don't rule financial decisionmaking.
- School administrators know what to expect from the group for the year.
- The group can best respond to unexpected requests for money.
- The group can best respond if income plans fall short.
- The group can determine throughout the year whether surplus money is available (and if so, how to spend it).
- The group has a tool to track financial progress all year.
- Info is captured to assist the group in planning for next year.

Adopting a budget-driven philosophy doesn't hamper flexibility. Some members might worry that if your group uses an annual budget, it'll be locked into those specific spending decisions regardless of what



TOOLS

- Annual Budget Samples

actually happens throughout the year. Not to worry. By its very nature, a budget is a best guess; it's never perfect. Regularly monitor your group's performance to budget, then recommend ways to adjust the budget if things don't go as planned.

When a group operates without a budget, the money flows in and out with no clear connection to the mission of the organization. There's little visibility as to why the parent group earned or spent money. Every spending decision must be debated by the members or officers (or both). Monthly meetings can become hostile as personal agendas are promoted.

Hopefully, you keep track of your financial transactions. But do you ever compare the results of those transactions to a budget plan? If not, you never know exactly how well your group is doing. Are you ahead or behind? Will your group suddenly experience an awkward financial shortfall? Will you end the school year with an unexpectedly large balance on hand? Because a group with no budget operates strictly by gut feel, the ability to plan is severely hampered. Decisions must be conservative to prevent overspending. It's too risky to try new ideas that might strain the group's finances.

Even if your current officers are experienced and have a good intuitive feel for the group's financial position, things will change. Eventually, new leaders will be elected who haven't developed that depth of knowledge. A sound budget documents that knowledge for the future officers. The approved budget itself, along with monthly reporting of performance to that budget (outlined in Chapter 5), will enhance your group's credibility, relieve pressure, and position your group for the future.



BEST PRACTICE

Create an annual budget even if it includes only a few general categories. Throughout the year, your group's financial decisions will be less stressful if they're made in the context of an approved budget. Having no budget leads to stress, confusion, and personal agendas.

It's never too late to become a budget-driven parent group. **If your group has existed for a while but hasn't had a documented budget before,** you can prepare one using the organization's checkbook, your treasurer's files, and input from experienced members and the other officers. **If your group is new,** you can create a budget based on your group's mission, then allocate projected income based on approved percentages. **If your group has been diligent about managing an annual budget,** you'll only need to review the current budget and make appropriate adjustments to prepare for next year.

Creating a Budget for a New Parent Group

If your group is new, you don't have a spending history to use as the basis for a new budget. Plus, you probably don't know how much profit you can reasonably expect from your major fundraisers. And you might not be able to predict how much specific programs will cost at this point.

One thing you can do is simply fundraise this year and spend money as opportunities and requests come up, building a history for next year. But if your executive board would rather be proactive (which is what we recommend), you can create a spending plan based on the mission statement and overall objectives of your new organization.

Why are the parents starting this group in the first place? What's important to your members? What does your school administration hope to gain from the parent group's existence? Your founders should have written these overall guiding principles into your new bylaws.

Now consider the next level of detail: What are the general activities that your group will support? These might include:

- Extra educational programs at your school
- School assemblies
- Field trips
- Physical equipment for the school
- Classroom supplies for teachers
- Providing recognition, rewards, and special treats for students
- Family/community events

You can't set up a detailed dollar-based budget yet because you don't know how much money you'll have to work with until you start raising funds. But you can still capitalize on the enthusiasm and momentum of members at that first kickoff meeting.

Take the time to prepare a percentage-based budget and present it to your members for approval at your first meeting. After all, you want the members who will be doing all of this fundraising to agree with the spending plan. A logical plan based on the mission of your group will most likely win the approval of your members and build their confidence in your board's leadership ability.



BEST PRACTICE

Give some sincere thought to how your group's mission translates into activities and financial requirements. Consider holding a mini retreat with your officers to work through the issues.

Create the Budget

First assume you'll have some fixed costs, such as a school photocopying fee and a carryover balance for next year. Those are specific dollar amounts, and you can put them into your budget that way. Then allocate the balance of your fundraising income based on percentages, spread over the major activity areas your board defined. Your allocations should total 100 percent so that you have at least a general plan for all the money you take in. (Note that this is 100 percent of the money available *after* your fixed costs are covered.)

Keep your allocations high-level at this point because you don't know yet precisely how much specific programs or events will cost. For example:

Fundraising income:	TBD
Fixed expenses:	
Photocopying fee	\$500
Carryover for next year	\$1,000
Total fixed expenses:	\$1,500
Additional expenses:	
Classroom supplies	40%
Educational programs	20%
Recognition events	20%
PTO operations	10%
Scholarships	10%
Total additional expenses:	100%

After your first major fundraiser, replace the percentages with numbers. Assuming some form of fundraising continues throughout the year, you'll update the budget figures as money comes in. Present this information to your members as part of your monthly treasurer's report so they can see how the funds are growing and how they're being used.

Let's assume you just completed the first major fundraiser and your group had a net profit of \$6,000. Your budget plan now looks like this:

Fundraising income (net):	\$6,000
Fixed expenses:	
Photocopying fee	\$500
Carryover for next year	\$1,000
Total fixed expenses:	\$1,500
Amount remaining to allocate:	\$4,500
Additional expenses:	
Classroom supplies	40% = \$1,800
Educational programs	20% = \$ 900
Recognition events	20% = \$ 900
PTO operations	10% = \$ 450
Scholarships	10% = \$ 450
Total additional expenses:	100% = \$4,500
Total budgeted expenses:	\$6,000

Refine Over Time

As your group matures, you might add more detailed categories under these general themes. For example, you might add staff appreciation, volunteer appreciation, and student awards under your “recognition events” budget category. Now your board, with input from committee chairs, will need to determine how to break up the recognition events budget into smaller chunks.

For a new group, this process of allocating and refining will continue throughout the year, each time being presented to the members for approval. If you rely on the mission statement, the input of your officers and principal, and the approval of the total membership, you can develop a sound budget that will carry you through the first year and form a solid basis for future years.

Creating a Budget for an Established PTO

If your group has a budget from last year, some of the work is already done for you. Most, if not all, of your budget categories will be used again this year. But before assuming that last year’s specific budget amounts still make sense this year, take a closer look at what really happened financially last year. For example, you don’t want to keep your expense budget for field trip buses the same if the actual cost far exceeded what the group expected.



BEST PRACTICE

Use last year’s **actual results** compared with last year’s **budgeted amounts** to create the next year’s budget.

Your group’s transaction log or year-end performance to budget report should have the information you need for this step.

Note: If your treasurer files include reports for several past years, research more than one year of history. By considering more than one year, you’ll reduce the risk of making decisions based on unusual circumstances.



TOOLS

- Category Transaction Worksheet
- Sample Categories Worksheet
- Actual History Worksheet

Analyze Your Checkbook

If your established parent group has never created a budget, you could simply rely on your gut feel and take a stab at it. But if you take the time to review your group's actual history, the budget you end up with will be much more useful to guide your group through the next year. The key is to do a comprehensive analysis of your parent group's checkbook.

Your goal is to figure out how much the PTO spent and raised in the past year, where it came from, and where it went. By reviewing the checkbook and other treasurer files, you should get a pretty good idea of the financial activity that took place. This review may feel tedious, but it's valuable. Basing future plans on *actual* financial history will give your group a solid foundation for the new year.

Photocopy all the pages in your handwritten checkbook register for the year (or print the transactions from your online banking system) so you have a place to make notes. Also have copies available of the Category Transaction Worksheet.

Now begin with the first transaction of the year. Is this transaction important enough to be its own category, or should it be logged under another category?

- If it's a standalone category, create a copy of Form 1 and label it with this category name, then list the transaction on this worksheet.
- If it's part of a broader category, then use this broader name for your first copy of Form 1, and add other transactions that fit under it as you get to them.

Continue transaction by transaction, listing each on only one category worksheet. Deposits are listed as (+) dollar amounts; checks, electronic debits, and cash withdrawals are listed as (-) dollars. Use whole numbers, rounding off the cents. Lump unknown or minor transactions into categories called "miscellaneous income" and "miscellaneous expenses." See the Sample Categories Worksheet for examples.

There's no "right" number of budget categories. Typically, each major fundraising event is listed as its own income category. Expense categories usually correspond to the group's mission and purpose.

Consider carefully when defining expense categories. Creating too many leaves your group less flexibility to spend money without a vote. Too few, and your group might face debate over how large sums of money were intended to be spent.



BEST PRACTICE

A complete analysis of the checkbook is time-consuming, but you only need to do it once to build a foundation for the future.

After you've classified all the checkbook transactions, total the amounts on each worksheet. Each worksheet corresponds to a category in your new budget. All the total dollar amounts for each category worksheet become the basis for next year's budgeted amount for the same category.

Transfer the categories and the total amounts to the Actual History Worksheet. Income categories go at the top, expense categories at the bottom. **The opening checkbook balance listed at the very top of the worksheet should equal the checkbook balance on the first day of the fiscal year (accounting year) you're reviewing.**

Total all the category amounts into Total Income and Total Expenses. At the bottom of the worksheet, calculate the difference between Total Income and Total Expenses. **This figure should approximately equal the checkbook balance at the end of the fiscal year you're reviewing.** You now can be confident that the budget you created is based on actual experience, not just a wild guess.

It's fine if your figures aren't exactly equal; in this case, the objective is to get a basic understanding of how the group spent its money, not to do an exact accounting.

An important note about income from fundraisers: Almost every fundraiser has both income and expenses associated with it. As you evaluate the past year's history, you need to know whether you're looking at *net income* or *gross income* figures.

When you establish your new budget, you need to decide whether you'll track all transactions for a fundraiser or other activity in one category, regardless of whether the transactions are income or expense items, or whether you'll set up separate categories for income and expenses associated with that activity.

One category for each fundraiser, with both income and expense transactions posted to the same category:

- **Advantages:** Net income is automatically calculated and easily visible, which simplifies day-to-day record-keeping and monthly reporting.
- **Disadvantages:** You'll need to manually separate the income and expense transactions for each activity while you're preparing IRS Form 990/990-EZ.

Two categories for each fundraiser, with income transactions posted to one category and related expense transactions posted to a separate category:

- **Advantages:** Keeps gross income and direct costs more obvious, which makes it easier to fill in financial data required on IRS Form 990/990-EZ.
- **Disadvantages:** You'll need to manually calculate net income for each activity (easily done with a spreadsheet formula).

We recommend two categories for each fundraiser.

Review the Miscellaneous Categories

If the amount of money in “miscellaneous income” or “miscellaneous expenses” is more than a few hundred dollars, try to figure out the real source of the transactions. These are potential new categories for your budget.

Go through old treasurer files and review receipts, bills, and reimbursement requests to see whether you can identify the sources. If you can, create new categories and pull out those dollars from the rest of the miscellaneous money. Having a large amount in the miscellaneous category can lead to future controversy as your group argues over how you really intended to spend the money. Classify it now to minimize confrontation later.

Prepare a Comparison Worksheet

If you have easy access to several years' worth of financial history, you can further refine your new budget by reviewing this information. The Budget Comparison Worksheet will help you compare financial activity over several years. Begin by listing the income and expense categories in your existing budget. For each category, insert the final amount of money raised or spent by the end of the year. If possible, insert "actuals" for more than one year of history.

Look over the actual history columns. If you have more than one year of history, you might see trends or aberrations. For example, you might notice that membership has gone up about 5 percent per year. Why? Can you count on a similar increase this year? Or you might see a huge jump in income in one year. What was the source of that money? Maybe the group received an anonymous gift or held an extra fundraiser that year. Can you count on similar activity this year?

This type of analysis is especially useful after your group has used budget management for several years. The goal of every budget is to predict the future as accurately as possible. Analyzing several years' worth of actual activity is one more way to increase the accuracy.

Even without a multi-year comparison, however, your budget will be a solid plan for the future if you've considered what actually happened just one year ago.

Create the Proposed Budget

You're now ready to prepare the final budget document. At this point, you might want to transfer your proposed budget figures from the Actual History or Budget Comparison worksheets to the Proposed Budget Worksheet so you can concentrate on the current proposed amounts only.

Tweak and Adjust

For each category, decide on a budget based on the actuals found on your worksheet and other information you've gathered. The parent group's entire executive board and your school principal should be included in this process. The principal in particular can help with categories that are tied directly to school activities (assemblies, field trip buses, educational equipment, etc.). Round your numbers to the whole dollar. Add new categories and delete old ones as your plans for the year dictate.



TOOLS

- Budget Comparison Worksheet



TOOLS

- Proposed Budget Worksheet

Document Your Assumptions

As much as possible, base the new budget amounts on logical assumptions and mathematical calculations. Add notes to this worksheet, too. As you fine-tune the budget, write down the basis for your decisions for each category and save the documentation in your treasurer files. No budget is perfect because it's a projection of the future. But the more time you put in now, the better your budget will be.

When you present the proposed budget to the members for approval, you should be able to justify your decisions. At that meeting, review the assumptions behind each category so everyone knows the budget expectations. Be prepared!

Some examples:

- Bagel sale income = \$3,400 (34 weeks of sales x \$100 in sales per week)
- Assemblies budget = \$5,200 (8 assemblies x \$650 per assembly)
- Hospitality budget = \$180 (9 meetings a year x \$20 per meeting for treats)
- Membership dues = 5 percent increase because of new subdivision
- Classroom supplies budget = increase to cover one additional teacher next year

Balance the Budget

Using the Proposed Budget Worksheet, calculate the difference between Total Income and Total Expenses. This number must be zero for the budget to be balanced. **Every dollar that you plan to earn should be allocated, even if it's simply earmarked for carryover into the following school year.**

Adjust the various categories until you get the income and expenses to balance. Because your opening checkbook balance probably includes dollars and cents, you'll need to balance your expenses with the same number of "odd" dollars and cents (put them in the "miscellaneous expenses" or "PTO operations" category).

When your budget balances and your executive board approves, you're ready to submit it to the parent group members for their approval.

If you have more income than expenses:	If you have less income than expenses:
You're planning to earn money you don't know how to spend. So...	You're planning to spend more money than you'll earn. So...
Increase the amount of money you plan to spend/save or decrease fundraising.	Increase the amount of money you plan to earn or decrease planned spending.

Submit the Budget for Member Approval

At the first general meeting of the school year, submit the proposed budget for approval. Come prepared to explain each category and the amount of money assigned to each budget. Distribute copies and review it line by line. Pie charts of the income plan and expense allocations can help you explain the details through pictures.

Adding line numbers to the budget report and using an overhead projector can make it easier for the members to follow along as you present the proposed budget for their approval.

Don't let anyone dismiss this important responsibility as unnecessary or boring. Your job as treasurer depends on the members approving the annual budget. Tell them that you can't transact parent group business without an approved budget. Make a motion to adopt the budget as presented. If the members vote to change an individual category's budget, you must adjust both income and expenses for the overall organizational budget to remain balanced. If you and the other officers give good thought to developing the budget, your members will recognize the importance of the process and support your proposal wholeheartedly.

Set Up the Transaction Log

The transaction log is simply a place to record the financial history of the different categories in your group's annual budget. It ties your cash flow to your activities.

A computer accounting system offers flexibility and easy reporting functions, but you can also use a simple notebook with a page or two for

each category. Whether you use a computer-based system or a manual system, the basic procedures remain the same.

Each category in your group's annual budget becomes a category in your transaction log. When setting up each category, note the budgeted amount for that category. Throughout the year, you'll post transactions to the categories, which will determine your position against the budget at any given time. (This is covered in "Updating the Transaction Log," p. 39).

With your filing system in place, the bank account updated, your budget approved, and your transaction log set up, you're ready to start managing the day-to-day financial affairs of your parent group.



BEST PRACTICE

The transaction log must match the structure of your annual budget so you can monitor your performance against your plans throughout the year; use the same category headings.



Chapter 4:

Essential Financial Controls

People active in a parent group volunteer their time for many reasons. Usually, they want to make the school a better place, to give their children a richer educational experience, and to work with other like-minded parents. It's common for parent group leaders to become friends, especially because they share a common vision.

But when it comes to financial matters, you need to be impartial and objective. If you're responsible for handling the group's money, you need to set aside personal relationships and think like a business.

As group treasurer, you should diligently use strict financial controls. It's vital for your own protection and for your parent group's protection that you avoid any suggestion of improper behavior. **Policies and procedures should be followed even when it's inconvenient.**

You can put your reputation and your group's good name at risk if you're sloppy in your job. No one likes to dwell on dishonest treasurers, but the media often reports embezzlement or gross negligence by volunteer treasurers. While no policy can absolutely guarantee the security of the group's money in every situation, your group is wise to demand consistent financial controls, which reduce temptation and opportunity.

The following are essential financial controls that should be adopted by every parent group.

Keep Physical Control of Your Cash

Parent group cash should never be stored in an insecure location. That includes your car, the school secretary's desk, or the box under the skirted table at the movie night ticket booth.

The best place to store parent group cash is in the bank. When cash accumulates temporarily—during a carnival, for example—the next

best place to store parent group funds is in a safe owned by the parent group that's kept in a locked room at school. In all cases, cash should be deposited in the bank as quickly as possible, using a night deposit box if needed.

- Purchase lockable cash boxes and matching cash belts for use at parent group events.
- Avoid the “petty cash” fund because it can be misused too easily. If your group currently has a petty cash fund, carefully consider the underlying needs for quick access to parent group cash. Could the same needs be met with a quick turnaround on reimbursement requests or check requests instead?

Require Two Signatures for Checks

When you write a PTO check, do you require a second authorized signature? If not, you're accepting an unnecessary risk and a big personal burden. Just one person has the power to spend the PTO's hard-earned money. Consider tightening up your PTO's check-signing policy.

Having two officers (or, as in some PTOs, an officer and the principal) sign checks ensures that two people always know—and accept the responsibility for—how the money is being spent. If you don't want to use two signers for every check, consider requiring it for checks over a certain amount, such as \$100.

Get together with your executive board to decide who the authorized signers should be. Then visit your bank. Update the account signature card, if necessary, to add the new authorized signers. The bank might also need to update your account record to reflect that two signatures are required on your checks. The bank might allow you to start using a second signature with your current checks. When you need to order more, you can ask for a second signature line to be printed on the new checks. (Even if your bank won't officially recognize the two-signature requirement, your group can still make this an official part of its operating procedures.)

If you adopt this policy, it might be tempting to have an officer sign a few blank checks in advance “just in case” a second signer isn't available. Don't do it. **Never sign a blank check, and never ask another officer to do so.** While this might seem like an innocent work-around, it means the officer

is authorizing the use of PTO funds without knowing how those funds will ultimately be used. This undermines the security of the two-signature control, and it places an unfair risk on the officer and an extra burden on you.

Maintain a Paper Trail

At first, preparing a separate supporting document for each transaction might seem like overkill. After all, vendors provide paper invoices and volunteers turn in paper receipts for reimbursement.

Why isn't that enough? Look at your files for the answer. Can you retrieve the receipt that supports a particular check? Is it easy to figure out what activities generated the money in a certain large deposit? Are the receipts and deposit tickets scrawled with notes or stapled to little scraps of paper? Have you ever had trouble tracing transactions during the group's annual financial review? If so, you'll benefit from paving the paper trail with standard control forms.

A paper trail for each transaction ensures traceability and visibility of every PTO dollar, develops historical information that's useful for future planning, facilitates your annual audit, and keeps your files neat.

Plus, the information on the control form can remind you of the steps to properly complete the transaction: secure two signatures, assign the budget category, log the transaction, mail the reimbursement check, etc. Use control forms for a while and they'll become second nature.

Read the "Processing Transactions" section (p. 31) for descriptions of the most common financial transactions and how to use the forms that support them, including reimbursement requests, check requests, and deposit notices.

Reconcile Monthly

If your PTO maintains a checking account, as most PTOs do, you should double-check all the transactions in and out of that account every month.

You might occasionally make a mistake when you record information in your checkbook. Banks also sometimes make mistakes. If you don't reconcile the checking account regularly, you're relying solely on what the bank tells you as your balance. The longer an account goes unreconciled, the bigger the potential mess and the larger the risk to the PTO.

Read the “Reconciling the Checking Account” section (p. 40) for more information.

Report Monthly

Every month—that’s 12 in all—the treasurer should prepare a financial activity report for the executive board and for members. By reporting activity every month, it’s less likely that a surprise will catch the PTO off-guard or short of cash.

Each completed report should be signed by the treasurer, presented at a regular meeting, and filed for future reference. Read the “Reporting to Your Group” section (p. 42) for specific details about these monthly reports.

Conduct an Annual Audit

The annual audit is an independent review and verification of the PTO’s finances. An audit can also highlight ideas to improve your group’s financial controls and reporting practices. PTO members, parent volunteers, or a paid professional can complete a PTO’s audit. Your auditors will appreciate organized files, balanced records, and complete data. Read the “Year-End Financial Review” section (p. 47) and Appendix A, “Annual Audit: A Key Tool Often Overlooked,” for details on how your group can successfully complete an annual audit. ➤

Chapter 5:

Ongoing Tasks

Processing Transactions

Your most common activity as treasurer is handling financial transactions. In a year's time, you might issue a hundred or more checks and deposit thousands of dollars on the group's behalf. Your fiduciary responsibility—the trust that you're given to manage the finances of the PTO—demands that you maintain tight control of every single transaction. You can achieve this level of control by starting with a consistent paper trail (even if that trail is digital).



BEST PRACTICE

Back up every single financial transaction with a standard form that's authorized by the appropriate members, recorded in a timely fashion, and filed for future reference.

Use Standard Forms

Every time you're faced with a financial transaction, there's information to handle. You're going to record this information anyway, whether it's on a scrap of paper, at the bottom of an invoice, or on the back of a note. By using standard forms, you can consistently and completely document the information needed to support your group's financial transactions. At the end of the year, the completed forms are an important piece of the audit process. (See Appendix A, "Annual Audit: A Key Tool Often Overlooked.")

Use these forms to record the details of every financial transaction. Because the information you need depends on the type of transaction, use a unique form for each of the common transactions. Set up a folder in your treasurer files for each type of form, both blank and completed. A transaction form is your reminder to take action.



TOOLS

- Reimbursement Request Form
- Check Request Form
- Deposit Notice Form
- Deposit Split Form
- Miscellaneous Charge Form
- Cash Box Request Form

After the financial transaction is complete, the form is your reminder to post the transaction to your log so that it reflects the most current financial activity. The information for the transaction should tell you which budget category it belongs to. Your job as treasurer will be much easier if you insist that members consistently use these forms.



BEST PRACTICE

Keep a supply of blank forms in an accessible location at your school, such as with the school secretary or in an envelope in your group's mailbox. Members can pick up forms on their own and return the completed form to you through your parent group mailbox. Or make them available on your website for members to download.

For any form, have the requesting member complete her part of the transaction form. Put the responsibility on her shoulders. **Take action based on a completed form, not a text or email.**

Reimbursement Requests

The Reimbursement Request Form is for paying back a member who has used her own money to make an *authorized purchase* on the group's behalf. Required information includes:

- Requester name and contact info
- Project/category for the expense
- Reason for reimbursement
- Amount of reimbursement
- Two authorizations—the same two people who sign the check
- Dates submitted, approved, logged, mailed
- Check number
- Attached receipts for total amount requested (photocopies are acceptable)

If you don't have the receipts, hold the check until you get them. Put the responsibility on the member requesting reimbursement.

To finish processing a reimbursement request, log the check in the check register (your checkbook) and update the proper category in your transaction log. The standard form includes a place to check off that you've completed these steps. File the completed form, with receipts attached, in your treasurer file.



BEST PRACTICE

Require two authorizations for every reimbursement request form—the same two people who sign the reimbursement check.

In your bylaws, **set a time limit for reimbursement requests** so you can manage the finances more easily. Consider setting a time limit of no more than 45 days after the transaction date.

Mail a reimbursement check to the parent (or hand it over directly) rather than sending it home with a student.

Check Requests

The Check Request Form is used when the parent group is paying an invoice with a check; anytime you write a check to pay a bill (other than to reimburse an individual who paid out of pocket), complete a Check Request Form. For example:

- If the group is covering the cost of an assembly performer, complete the form, attach a copy of the contract, and write the check for the performer.
- If the group is ordering supplies from a catalog, prepare the form, mail the check, and hold the form in your active file until the receipt arrives with the merchandise.
- If the group is paying the school to use the copier, attach a note from the principal requesting the fee, complete the form, and write the check.

Required information on this form includes:

- Requester name and contact info
- Project/category for the expense
- Reason for the check
- Payee name and address
- Amount
- Two authorizations—the same two people who sign the check
- Check number
- Attached invoice

To finish processing a check request, log the check in the check register and update the proper category in your transaction log. The standard form includes a place to check off that you've completed these steps. File the completed form, with invoice attached, in your treasurer file.



BEST PRACTICE

Substantiate every check request with some form of invoice, even if it's a note from the principal thanking the group for its donation.

Deposit Notices

The Deposit Notice Form is used to record the amount of cash and checks from a money-generating event and to provide supporting information for a bank deposit. Required information includes:

- Committee member's name and contact info
- Date submitted
- Project/category for the income
- Total amount of deposit

- Specific description of where the money came from
- Breakdown of bills and coins in the deposit
- A place to list individual check numbers and amounts, the total number of checks, plus the total amount of money being deposited by check
- Acceptance by the treasurer after verifying the numbers

For example, if your ice cream social takes in \$375, an authorized committee member would count the till and record the details on a Deposit Notice Form. She would then give the money and the form to you. You verify the count on the spot, in the presence of the committee member who initially prepared the form. If your totals agree, sign the sheet and accept the money for deposit. (At this point, some groups make a copy of the signed Deposit Notice Form for the committee chair.)

Never leave parent group money unsecured at home, at school, or in your car. If you can't make the deposit right away, lock the money in the school safe. That may not always be convenient, but you shouldn't sacrifice security for convenience. This isn't your money. Never let money sit longer than overnight; it's important to make timely deposits.

Take the completed form with you when you go to the bank. If there's any discrepancy between your count and the bank teller's count, you have the breakdown of coins and bills to help validate your math. Staple the deposit receipt to your form.

To finish processing a deposit, log the amount in the check register and update the proper category in your transaction log. The standard form includes a place to check off that you've completed these steps. File the completed form, with deposit receipt attached, in your treasurer file.



BEST PRACTICE

Anyone can make a deposit into your bank account—but **don't allow the deposit to be made until the money been counted and verified by at least two parent group members.**

Depositing checks: Ask whether your bank wants a list of check numbers and amounts to accompany your deposit. Large deposits of checks typically are counted later at a central facility, not at the branch. If you include a list of checks with the deposit, the processing clerks can review the list in case their total doesn't equal yours.

You should also be familiar with your bank's policy on the number of allowed check deposits per month. Policies and even terminology vary from bank to bank, but your group could be assessed a per-check fee if you deposit more checks in a month than the bank allows. Depending on the bank and its fee structure, you might avoid paying significant fees by splitting a large deposit of checks (200 or more) into two deposits that span two different months. Fees can add up quickly if you're depositing hundreds of items. Check with your bank branch for its particular rules. (See Appendix B, "Changing Banks: The Basics.")

Depositing coins: Ask your bank about its policies for coin deposits. Some banks don't accept coin deposits at all. For those that do, some have branches with self-service automatic coin-counting machines while others require you to roll as many coins as possible. You can get coin wrappers directly from the bank or buy them at an office supply store. Coins often aren't accepted at drive-up teller windows, so you'd need to enter the bank to make your deposit.



BEST PRACTICE

Get ready for a moneymaking event with cash boxes, money belts, and opaque bags or envelopes to hold the money on its way to the bank. If an event generates a lot of coins, have wrappers on hand so that committee volunteers can roll the coins as they count them.

Deposit Splits

The standard Deposit Notice Form works for a single budget category. Sometimes, though, you'll have money from several sources to deposit at the same time. The Deposit Split Form was designed to track several budget categories in one bank deposit. The form also makes it easier to verify the

total cash count for a single bank deposit when the money comes from several sources.

For example, if the spring T-shirt sale occurs at the same time as yearbook sales, you might collect and deposit money from both activities together. Each committee should first complete a Deposit Notice Form to accompany the money they pass on to you. You'd receive two separate Deposit Notice forms and two envelopes of money.

After you recount the money in each envelope to verify the committee's total and sign the form to accept it, you'll consolidate all the money to prepare just one bank deposit. (Some banks charge a fee based on the number of transactions per month; in this case, consolidating deposits could help your group avoid excess fees.) Summarize the total cash and checks on the Deposit Split Form, assigning the proper budget category to each line. Staple the individual Deposit Notice forms, along with the bank deposit receipt, to the Deposit Split Form.

To finish processing a split deposit, log the total amount in the check register and update the proper categories in your transaction log. The standard form includes a place to check off that you've completed these steps. File the completed forms, with deposit receipt attached, in your treasurer file.

Miscellaneous Charges

The Miscellaneous Charge Form creates a record of any transaction that takes money from your account that *is not* a check. Examples include:

- Payment for a new box of checks
- The fee charged for a bounced check
- Monthly bank account service fees

These charges are often known before they actually hit your account, so the form also acts as a notification of future financial activity. Required information includes:

- Your name and contact info
- Date submitted
- Project/category for the charge
- Date the charge was logged to the account

- Reason for the charge
- Amount
- Two authorizations

The Miscellaneous Charge Form requires two authorizations, just like a Check Request Form, so that the treasurer isn't the only parent group member aware of the charge.

Note: Requiring signatures at all times is a way to standardize the process. For regular monthly charges, such as bank fees, many groups don't require authorization.

To finish processing a miscellaneous charge, log the amount in the check register and update the proper category in your transaction log. The standard form includes a place to check off that you've completed these steps. Hold the completed form until the expected charge appears on your bank statement, then file the completed form in your treasurer file.

Cash Box Requests

Sometimes a parent group event will need a loaded cash box so change can be provided to attendees. In this case, the financial transaction is an account withdrawal without any supporting information. It's important that good financial controls be in place when money is taken from the parent group bank account. **Never use a withdrawal slip to take money out of the account. Instead, write a check to "cash," obtain the necessary two authorizing signatures, and present the check to your bank to get the cash.** Have the committee chair complete the Cash Box Request Form so you know the appropriate breakdown of bills and coins. Required information includes:

- Requester name and contact info
- Date submitted
- Project/category for the cash box event
- Date needed (the date of event)
- Total amount needed
- Breakdown of bills/coins requested
- Two authorizations—the same two people who sign the check

- Check number
- Verification by an event volunteer of the cash provided

When you give the cash box to the event volunteer, have her count the money in your presence and sign the form to accept the box. To finish processing a cash box request, log the withdrawn amount in the check register and update the proper category in your transaction log. The standard form includes a place to check off that you've completed these steps. File the completed form in your treasurer file.



BEST PRACTICE

Put a blank Deposit Notice Form in every cash box so that the event volunteers can record the cash left in the box when the event ends.

Updating the Transaction Log

Every transaction that affects your bank account must be logged so you can stay up to date on the financial status of each budget category. Using the completed transaction forms as your guide, post the information to your transaction log—whether that's in a financial management app, a spreadsheet, or a paper notebook. The most important element is that you're consistent. Calculate the new "to date" balance for the category and update the current budget balance.

Posting every transaction against the log provides several important benefits for your parent group:

1. It creates an accurate, complete history of the group's financial activity.
2. It serves as an important piece of the annual financial review.
3. It creates visibility for the financial position of every parent group event and project; it shows where your group stands "to date" and helps in setting up next year's budget.
4. It's a backup to show that your records and the bank's are consistent; the balance in the log should equal the balance in the checkbook.

When you set up your budget at the start of the year, you decided whether to combine related income and expense transactions into the same category or to create separate income and expense categories. As discussed in the section “Set Up the Transaction Log” (p. 25), if you use only one category for an event that has both income and expense transactions, your current balance in the journal will be a net figure. Alternatively, if you use two separate categories, one for income transactions and one for expense transactions, you’ll need to manually determine the net profit by subtracting the two balances. In either case, be certain you’re posting your transaction to the proper category.

Reconciling the Checking Account

Every month, you must reconcile the parent group’s checking account. Reconciling verifies that your checkbook balance is correct. Errors in record-keeping by you or by the bank can make a mess of the books, undermining your ability to make sound financial decisions. **It’s vital to correct any errors quickly.** Reconciling also gives you a chance to review the parent group’s financial activity and to spot any unexpected transactions or mishandling of the account.

If you use a financial app like [Finance Manager](#) to do the accounting for your group, it probably includes an automated reconciliation feature. The fact that it makes reconciling the checking account so easy may be justification enough to set up a computer-based system for your group, if you haven’t done so already.

If you use a manual accounting system, you’ll need to complete the reconciliation by hand. Most banks print a reconciliation worksheet along with instructions on the back of the account statement. A checking account reconciliation worksheet is also included with this toolkit.

If your checking account hasn’t been reconciled for months, you have two ways you can go:

1. Find all the back statements and reconcile them, month by month, against the checkbook.
2. If that’s simply not doable, adjust the checkbook balance to match what the bank reports as of your last statement date. Make sure to carry forward any transactions that you posted to your check register



TOOLS

- Checking Account Reconciliation Worksheet

after the closing date of the last statement because they won't be included on the bank statement. From this point on, reconcile each month.

If you're really stuck, check with your bank. They might be willing to spend some time to help you get your checkbook to match their balance. You can also try to recruit a volunteer with a head for numbers. It's far better to ask for help and get the matter under control than to allow a financial mess to continue.

Handling Bounced Checks

If someone pays your group with a personal check and there isn't enough money in the account, it "bounces" back to you unpaid. A check might also bounce because it was written against an account that's been closed. When a check bounces, it's as though the customer never paid your group. Plus, a bank usually assesses a significant fee (\$20 or more) for handling a bounced check. If your bank charges a bounced check fee, you should try to get that fee from the customer, along with the original check amount.

In your transaction log, assign the check amount *and* the bank fee to the original activity. Until you recover the money, treat this as though you were never paid and record it that way in your log. Charge the bank fee against the activity to show that any unrecovered fees decrease that activity's profit.

To recover the money, you might want to contact the check-writer by email first. Follow up with a letter explaining the offense and the fees charged, if applicable. Never return the original check to the check-writer; it's your proof of the debt.

If the letter doesn't work, your next step might be to visit the issuing bank in person. The bank will cash the check on the spot if there's currently enough money in the account. (Note that the issuing bank will give you only the amount of the check; you'll still need to collect the fees directly from the check-writer.)

For repeat offenders or particularly large sums of money, your group might choose to work with a professional collection agency. The agency will take a significant percentage of the recovered money as its fee, but it relieves the group of the burden of going after the offender. As long as you're attempting to recover payment on a bounced check, don't accept any additional checks from that person.



TOOLS

- Sample Bounced Check Letter
- Returned Check Control Form

If bounced checks have been a frequent problem for your group in the past, start your term by establishing a check acceptance policy. Once you've communicated that policy to school families and community members, only accept checks that meet the guidelines. Here are four points to include in your policy:

- All checks must include the name, address, and telephone number of the person signing the check.
- Checks must have a current date.
- If a check is returned for insufficient funds, the check-writer is responsible for paying a \$30 service fee plus any bank charges.
- Additional checks will not be accepted from someone who owes the original payment, service fee, or bank charges on a previous check that bounced.



BEST PRACTICE

If the bounced check was payment for merchandise, hold the merchandise until a new payment has cleared. Every parent group order form should include a phrase such as "returned check fee \$30."

Reporting to Your Group

Providing timely and accurate financial information to support decision making for the group can be done through two monthly reports: a financial activity report and a performance to budget report.

Prepare and distribute these reports every month, even during summer.

There should be 12 reports each year to tell the complete history of the group's annual financial activity. By reporting activity every month, it's less likely that a surprise will catch the PTO off-guard or short of cash.

Financial Activity Report

This report, prepared for the executive board only, is a list of the financial transactions for the month and their effect on the balance. All checks written,



TOOLS

- Financial Activity Report
- Performance to Budget Report
- Treasurer Oral Report Outline

all deposits made, and any other transactions, such as electronic debits for a subscription program, should be listed on this report. Since this report only lists transactions for one month, it's easy to scan for exceptional or unusual transactions that might require follow-up. The Financial Activity Report answers questions such as:

- Who did we pay this month?
- When did we deposit the money from this month's bagel sale?
- Did the bank charge us for the new box of checks this month?
- What was the net effect of our financial activity this month?

The report should include the following information:

1. Balance on hand at start of period
2. Date of each transaction
3. Description of each transaction, including check number
4. Amount of each transaction
5. Balance on hand at end of period

Typically, the report would list the beginning balance on hand at the top. The body of the report would be organized into income transactions first and subtotaled, followed by expense transactions and subtotaled, ending with net total. This layout is the recommended design for a monthly treasurer's report, according to Robert's Rules of Order. It shows a snapshot of financial activity.

However, as a tool to support decisionmaking, the Financial Activity Report falls short. That's why it's important to prepare the Performance to Budget Report each month, too.

Performance to Budget Report: The "Treasurer's Report"

In a budget-driven parent group, there's no substitute for the value of a Performance to Budget Report to support financial decisionmaking. As treasurer, you must prepare a Performance to Budget Report each month and review it with both the executive board and the general membership. This report shows the actual effect of financial activity, not simply isolated transactions. It answers questions such as:

- Did we make more money than planned on our big fall fundraiser?
- Is the scrip program successful?
- Do we have any extra money to replace the movie screen?
- Have we paid the school our annual photocopying allowance?

By studying the Performance to Budget Report, your members can project the financial position of the group throughout the year. The executive board can make informed, proactive decisions whether there's financial hardship or a surplus. The visibility of a complete financial picture relieves stress.

The report should include the following information:

1. Beginning cash on hand at start of the fiscal year
2. For each budget category, the budgeted amount, actual to date (actual expenses or income, as opposed to what was budgeted), and variance (difference between the budgeted amount and actual to date).
3. Balance on hand at end of the period.

Explain the report to your members each month; an outline for presenting your oral report at a meeting is included with this toolkit. Even if your group meets on a less frequent basis, you should still prepare and post this report monthly for review.

For example, if the major catalog sale comes in ahead of budget by \$2,216, this surplus is an opportunity for the group. With a financial surplus, the group has several options:

- Fund a new, unplanned activity.
- Add more money to a planned activity to reduce parents' out-of-pocket costs.
- Purchase something for the school.
- Cover a loss incurred in another budget category.
- Keep it in reserve for future spending.

The information presented in the Performance to Budget Report makes this type of discussion possible. If you tracked only individual transactions without acknowledging their effect on the budget, your group wouldn't be able to make proactive decisions.

The details behind the activity in the Performance to Budget Report are captured in your transaction log. When meeting with your executive board or general membership, you should have the log on hand to answer specific questions about the source of income or expenses.

Record-keeping and Filing

Good record-keeping is a must when you're treasurer. Over the course of a year, you'll handle hundreds of reports, forms, receipts, invoices, and canceled checks. It's easy to drown in all that information if you let it accumulate haphazardly.

Every year, your group should conduct a financial review (audit); a complete set of records is the primary information used in that process. Records must be kept not only for the sake of maintaining parent group history but also to support legal requirements.

As soon as you're finished with a form, report, or other piece of financial paperwork, put it in the appropriate folder in your treasurer file. Other tips for good record-keeping include:

- File transaction forms by type, sorted by date.
- Back up (or photocopy) your transaction log each month.
- Keep all canceled checks or check images.
- Keep every bank statement, but throw away marketing pieces that come in the envelope. Attach your reconciliation worksheet to each statement.
- Save a copy of each month's minutes; highlight any financial decisions recorded in the minutes.
- Keep the current bylaws for each year in your file.

If possible, have a secure storage location for historical files at the school rather than in someone's home. As treasurer, you'll want the files for the current year at your fingertips, which might mean keeping them at home. But files from past years should be at the school, not in the home of a former treasurer. If you're the treasurer and you don't know where the old files are, get in touch with your predecessor and track them down.



TOOLS

- PTO Record-Retention Rules

At the end of the fiscal year, collect the files needed for the annual financial review (see Chapter 6 and Appendix A). Keep track of which files have been distributed to the audit committee, and return them to the proper location after the audit is complete.



BEST PRACTICE

To satisfy the IRS and other legal requirements, keep the following paperwork:

Permanently

- Incorporation paperwork
- IRS Form 1023 and documentation
- IRS determination letter
- Meeting agendas and minutes
- Year-end treasurer reports
- Annual financial review reports

For 7 years

- Bank statements
- Canceled checks
- Check registers
- IRS Form 990-series

For 3 years

- Monthly treasurer reports

Chapter 6:

Annual Tasks

Risk Assessment Checklist

A valuable year-end activity is the completion of a Financial Risk Assessment Checklist by the outgoing executive board. This checklist helps the board take a critical look at its own financial procedures. It's most effective if each member of the board completes the checklist individually first, then everyone gathers as a group to discuss each item on the list.

If any risk is rated as high, the board should discuss ways to reduce that risk, then document the recommendation or new procedures for the incoming officers.



TOOLS

- Financial Risk Assessment Checklist

Year-End Financial Review

At the end of every accounting year, your parent group should conduct a financial review, commonly called an audit. For your group, this simply means a close look at your financial records, whether by an internal audit committee or an external volunteer. It isn't necessary to pay a professional to conduct your audit, though some groups do. But remember that your financial records from the year should be organized whether you use a professional or a volunteer. The reviewer will focus on objective performance measures and make recommendations for improvement.

Basically, the annual financial review will assess your group in three ways:

- How well you applied financial controls
- The quality of your record-keeping
- How accurately you accounted for changes in your assets.

The audit won't tell you whether your group's spending matched its budget, whether it fulfilled its mission, or whether your officers stayed within the bylaws. These subjective issues should be discussed by the executive board at the end of the year and documented for the incoming board members.

The audit itself is done by non-board members to make sure it's completed independently and objectively. The executive board is only a source of information for the auditor.

A single qualified volunteer who isn't a member (or a relative of a member) of the board can conduct the review. Or you can recruit a few volunteers to form an audit committee. The committee can include one member of the executive board, but otherwise it should only be people outside of the board. You don't have to restrict yourself to parent group members unless your bylaws include that restriction. Your group should always conduct a financial review at the end of each fiscal year. In addition, if the treasurer position changes hands mid-year, the executive board should call for an audit before the new treasurer takes over. If you're the new treasurer, you should insist on an audit before you begin your job. This is the best way to make sure that the files are organized and the accounts are up to date.

For specific financial review guidelines and tools, read Appendix A, "Annual Audit: A Key Tool Often Overlooked."

State Reporting Requirements

Your group might be required to complete some form of annual report to your state department of commerce, secretary of state, or other governmental department. Some states require a filing fee for this report even though there's no annual filing fee for the IRS forms.

If your group is incorporated in your state, you also might be required to renew your incorporation each year with a form, a fee, or both.

Rules vary from state to state, so check with your state for information about small business reporting requirements. The IRS has also compiled [state links for exempt organizations](#).

Annual Tax Information Return: IRS Form 990-EZ

You're required to report your activities to the IRS each year. This is true regardless of whether your parent group is officially recognized by the IRS as tax-exempt under section 501(c)(3) of the federal tax code. The IRS collects this information by way of Form 990-EZ, the Short Form Return of Organization Exempt From Income Tax, and supplementary forms called schedules.

The forms help the public understand how much money your group handled this year and what was done with it. Anyone, parent group member or not, must be given a copy of your return if they request it in writing. And your three most recent tax returns must be kept available for public inspection at your main office (which is the school office for most groups) because your group is a publicly supported charity.

Form 990-EZ is a review of one complete financial year. Ideally, the treasurer for that year should be the one to prepare the form even if she's not currently in office. But anyone can do the work as long as the form is prepared accurately and completely and it's submitted on time. Some groups hire a professional to prepare their return, but it's the same amount of work to gather the required data whether you pay for the service or recruit a volunteer to do it.

The return is due by the 15th day of the fifth month following the end of your group's fiscal year. For example, if your fiscal year ends July 31, then Form 990-EZ is due by Dec. 15 of the same year. (Your fiscal year should be stated in your bylaws or charter. From a record-keeping perspective, it's easiest to have a fiscal year that ends during the summer, when you have the lowest level of financial activity going on.)

Chapter 7, "Tackling Your PTO Tax Return," covers the broad details of completing Form 990-EZ and the related schedules. A sample completed Form 990-EZ for a typical parent group, line-by-line descriptions for Form 990-EZ, sample attachments, and a sample substantiating year-end treasurer's report are included with this toolkit.

Read through the instructions for Form 990-EZ early, and start working on it as soon as the fiscal year ends. Five months might sound like a long time but it can pass quickly.

Other Year-End Tasks

Prepare a Preliminary Budget for Next Year

If your PTO already operates with a formal budget, this job should be fairly easy. Take into account the actual activity of your group this school year rather than the budgeted amounts. Consider tentative plans for next year, including any budget items your PTO may have recently preapproved for next year.

Using this year's budget as your guide, update the numbers with your best guess of the effect of these factors. Your knowledge of the PTO financial situation is keen right now, so spring is the best time to create your first draft of the new budget. If you wait until late summer or just assume the new treasurer will figure it out, the PTO won't benefit from the depth of knowledge you gathered this school year.

See Chapter 3, "Budgeting," for more guidance.

Close Outstanding Activity

Pay any outstanding bills as soon as possible. Remind members that reimbursement requests must be submitted to the PTO by a specific date so you can process them before summer. (You don't want to get a phone call in July from a parent who wants to know where her reimbursement is.)

Take Care of Bank Business

If the PTO's checking account statements have been mailed to your school, you might want to change the mailing address so they go to someone's home. That way, you can reconcile the June, July, and August statements without worrying whether you'll be able to get into the school building to retrieve your mail. Changing just the mailing address for the statements won't affect the primary account information already on file.

Determine whether your PTO will need more checks soon. If your supply is particularly low, order a box now so the new treasurer isn't caught empty-handed during the busy school year.

Summer is also the right time to shop around for a new bank. If your group is paying checking account service fees, look into the competitive deals many banks are offering to entice small business accounts like yours. See Appendix B, "Changing Banks: The Basics," for specific advice.

Check your files for any prior year's IRS Form 990 or Form 990-EZ. This form must be filed annually regardless of whether your group is a federally recognized 501(c)(3) organization. See Chapter 7, "Tackling Your PTO Tax Return," for more information.

Chapter 7:

Tackling Your PTO Tax Return

It's a common misconception: "Because our PTO is a nonprofit group, we don't pay any taxes—and we don't file a tax return." But it's not true.

Even nonprofits file an annual information return with the IRS about their finances and basic operations. This is true whether your group is incorporated, whether it's officially recognized by the IRS as a tax-exempt 501(c)(3) organization, or both (or neither).

The IRS collects this information by way of the "Short Form Return of Organization Exempt From Income Tax," also called Form 990-EZ, and the supplementary forms Schedule A, Schedule G, and Schedule O. The forms help the public understand how much money your group handled this year and what you did with it.

Anyone, whether they're a PTO member or unaffiliated with the group, must be given a copy if they request it in writing. Your three most recent tax returns must be kept available for public inspection at your main office (the school office for most groups) because your group is a publicly supported charity. If you step back and think about the implications of this disclosure for other types of nonprofit charities, you can see the value and importance of the information on this form.

The prospect of tackling a tax return might sound daunting. But with a little preparation, you should be able to understand the IRS lingo and complete the form with confidence.

Some people simply call Form 990-EZ a "tax return." It does go to the IRS, but typically there are no taxes due. That said, there are exceptions to every common situation. So if your PTO has unique business or financial arrangements—you have paid employees, for example—then you might need professional advice, and your situation is outside the scope of this toolkit. But for the vast majority of parent groups, the form is fairly straightforward. You just need to take some time to match your financial data to the right lines.



TOOLS

- Form 990-EZ Line-by-Line Description
- Form 990-EZ Completed Sample
- Schedule A Line-by-Line Description
- Schedule A Completed Sample
- Schedule G Line-by-Line Description
- Schedule G Completed Sample
- Schedule O Line-by-Line Description
- Schedule O Completed Sample
- "Where Should I Report It?" Fundraisers Chart
- Treasurer Support for Form 990-EZ

(This information was current at the time of publication, but the IRS is constantly reviewing and possibly revising its forms and reporting requirements. The most recent IRS Form 990-EZ instructions should be your primary source of information when you prepare your group's return. Forms can be downloaded from www.irs.gov.)

Which Form To File

First, determine whether your group can file Form 990-N or Form 990-EZ rather than the longer Form 990. **This distinction is based on annual gross receipts, not net profit.** For example, your only fundraiser takes in \$28,000 in sales and you pay the fundraising company 50 percent, or \$14,000. That means you made \$14,000 on the fundraiser (net profit). Your gross receipts are \$28,000 because that's how much money your group handled, even though you kept only half.

If your PTO's annual gross receipts are normally \$50,000 or less, then you can complete Form 990-N through the IRS website instead. Sometimes called the e-postcard, Form 990-N is very short and gets filed electronically. Like other versions of Form 990, it's due to the IRS by the 15th day of the fifth month following the end of your fiscal year. You'll need the following information to complete Form 990-N:

- The PTO's tax identification number
- The tax year you're reporting
(**Note:** File the IRS form for the tax year that corresponds to when December falls within your fiscal year; for example, in a fiscal year running Aug. 1, 2017, to July 31, 2018, December is in 2017 and you'd file the forms for tax year 2017.)
- The PTO's legal name and mailing address
- Any other names the PTO uses
- Name and address of a principal officer (e.g., president or treasurer)
- The PTO's website, if it has one
- Confirmation that annual gross receipts were less than or equal to \$50,000
- If applicable, a statement that the PTO has disbanded (hope not!)

If your PTO grows above the \$50,000 annual threshold, your group's filing status will change and you'll most likely fill out Form 990-EZ. Calculate your gross receipts carefully. If your PTO acts as the banker for a booster club, student council, or the book fair, for example, the money handled counts toward gross receipts even if it isn't "owned" by the PTO.

On the high end, if your group is lucky enough to have annual gross receipts of \$200,000 or more, you'll need to complete Form 990 instead of the simpler Form 990-EZ. Because the vast majority of PTOs aren't in such a high income bracket, this toolkit focuses on Form 990-EZ. So if your PTO's annual gross receipts are typically more than \$50,000 and less than \$200,000, download a copy of Form 990-EZ and Schedules A, G, and O from the IRS website, grab your latest treasurer's report, and let's get to it.

IRS Wants To Help

The IRS provides Form 990-EZ, Schedule A, Schedule G, and Schedule O, along with detailed instructions, on its website. The forms are only a few pages each and can be downloaded and printed easily. The instructions run more than 20 pages each.

Telephone help for tax-exempt organizations is available at 877-829-5500.

Although many people automatically assume calling the IRS will be a frustrating experience, the representatives are frequently helpful and the wait times rarely more than 10 minutes. It's far better to wait a few minutes on the phone than to make an invalid assumption that might get your form rejected.

The forms online can be filled in on-screen, allowing you to print a clean document with all information typed. It won't do mathematical calculations, though, so it works best to complete the form by hand first, then prepare the final copy on your computer. The IRS requests that you fill in every line on the forms, using "0" or "N/A" for items that aren't applicable to your group.

Although the IRS requires you to round off your numbers to the whole dollar, it might be easier to cross-reference the form to your PTO's financial files if you use the exact numbers, including both dollars and cents, on a draft version of the forms.

One final piece of advice from the IRS: Don't forget to mark the box at the top of Form 990-EZ in area H, indicating that you're not required to file

Schedule B (a list of contributors). Otherwise, your return will be kicked out and held until the IRS contacts you. This kind of delay could make you miss the filing deadline and your group might then be subject to penalties.

Form 990-EZ is due to the IRS by the 15th day of the fifth month after the end of your fiscal year. For example, if your fiscal year ends July 31, your form is due by Dec. 15 of the same year. Because of this, the form might be completed by a new treasurer, not the same person who supervised the financial activity being reported. If you're the current treasurer, do your successor a favor and get the data organized in advance so that completing Form 990-EZ will be as easy as possible.

One idea is to **cross-reference every item on your treasurer's report to the associated line on the form**. As you dive into the details of Form 990-EZ, you'll see that it requires both gross and net amounts for income-producing activities. Be certain that your committee chairpeople and your financial transaction system track that level of detail or it'll be difficult to complete the form accurately. It's also a good idea to tell yourself that the form is due a month earlier than required so there's a cushion in case you run into complications.

For a typical PTO, the complete return will consist of Form 990-EZ, Schedule A, Schedule G, and Schedule O. These attachments include details specific to your group's activities for the year. Every attachment must include the form number, the tax year, your PTO's name and tax identification number, and the applicable part/line number.

Organize the final packet in this order: Form 990-EZ, Schedule A, Schedule G, Schedule O, then any additional attachments to Form 990-EZ that you might be required to include (for example, if your bylaws have been updated to reflect a name change for your organization). Before mailing it all to the IRS, make a few copies for your files. Keep any spreadsheets or worksheets that you used to help calculate the numbers, and jot down any advice for the next preparer.

Give the PTO president, the secretary, and even your principal a copy so that next year's treasurer can find at least one copy to use as a reference. And, of course, keep a copy in your treasurer file. (See p. 46 or the included record-retention guidelines for a list of record-keeping requirements from the IRS.)

If your PTO is more than five years old, you'll need to report the historical information as requested even if you haven't previously filed a return.

Hopefully, the older treasurer files are complete and organized so you can gather the necessary details without frustration. If your PTO has filed Form 990-EZ in the past, ideally you can pull the numbers off the old forms. In either case, you'll quickly realize the importance of good record-keeping for your sanity and that of future treasurers.

Note: Although every attempt at accuracy was made for this article, information and advice from the IRS supersedes any of the information presented here.

Overview of Form 990-EZ

Part I: Revenue, Expenses, and Changes in Net Assets

Part I asks for the detailed financial numbers that support your PTO's activities for the past fiscal year. Completing Part I is straightforward if your PTO reports against a budget with individual categories for each major activity. You'll need your year-end treasurer's report to answer the questions. Ideally, this information is kept electronically so you can sort, total, and verify the numbers easily. If your PTO doesn't use a budget or there's no comprehensive year-end report, you might need to analyze the checkbook entries for the entire fiscal year and classify every transaction according to the lines on the form. Form 990-EZ might be reason enough to adopt an annual budget if you don't use one already.

Part II: Balance Sheets

You'll need information as of the first and last days of your fiscal year to complete this section of the form. This section gives the reader an overview of the financial position of the PTO. In the simplest case, the only number reported here is the balance in the PTO's checkbook.

Part III: Statement of Program Service Accomplishments

Part III of the form gives your PTO a chance to boast a little about your accomplishments for the year. **List your top three activities based on total expenses for each**, including a brief description of the impact of each project. It isn't necessary to write more than the space allows. The IRS encourages you to be "clear and concise."

Total the expenses for all other activities on Line 31, and include a simple list of those activities on Schedule O.

Part IV: List of Officers

In this section, the IRS asks for the names and addresses of your group's officers. You can use the school's address instead of personal addresses. Enter the number of hours each officer devotes to the position each week. This can be estimated, but it should be a specific number; the IRS frowns on answers like "as much as necessary" or "at least 4."

Part V: Other Information

The typical PTO will answer no to the questions in this section. If you think one of these questions applies to your group, you might need professional advice to make sure your return is accurate.

This section also asks for the location of the PTO's financial records.

Part VI: Section 501(c)(3) Organizations Only

The typical PTO will answer no to all questions except Line 52 and write "N/A" or "None" where names are requested.

Don't forget to sign the form. The IRS won't accept an unsigned form. If your group paid a professional to complete the form, the preparer will also sign.

Overview of Schedules A, G, and O

Schedule A

Although Schedule A is eight pages long, the typical PTO only completes a portion of the form. Enter the heading information on the first page. In Part I, check off the box for Line 10.

Skip ahead to Part III and complete the Support Schedule. Part III asks for detailed numbers about your PTO's annual income, which you figured out already for Form 990-EZ. Enter a "0" or "N/A" in the boxes you skip to indicate you purposely ignored those questions.

In Section A, the IRS is determining the percentage of public support for your group. Section B adds in other income sources. The typical PTO will be entirely or mostly publicly supported.

Part III also asks for data going back four additional years. If your group was established for the first time or was newly incorporated this year, then you have no prior history as far as the IRS is concerned. In that case, you'll report data for this year only.

Form **990-EZ**Department of the Treasury
Internal Revenue Service**Short Form**
Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

▶ Do not enter social security numbers on this form as it may be made public.

▶ Go to www.irs.gov/Form990EZ for instructions and the latest information.

OMB No. 1545-1150

2017**Open to Public
Inspection****A** For the 2017 calendar year, or tax year beginning **August 1**, 2017, and ending **July 31**, 20 **18****B** Check if applicable:

- ☐ Address change
☐ Name change
☐ Initial return
☐ Final return/terminated
☐ Amended return
☐ Application pending

C Name of organization **?****ABC Elementary PTO**Number and street (or P.O. box, if mail is not delivered to street address) **?****123 Any Street**

City or town, state or province, country, and ZIP or foreign postal code

City, STATE 00000-0000**D** Employer identification number **?****99-1234567****E** Telephone number**000-000-0000****F** Group ExemptionNumber ▶ **?** **N/A****G** Accounting Method: ☒ Cash ☐ Accrual Other (specify) ▶**I** Website: ▶ **www.abcppto.org****J** Tax-exempt status (check only one) — ☒ 501(c)(3) ☐ 501(c) () ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527**H** Check ☒ if the organization is not required to attach Schedule B **?**
(Form 990, 990-EZ, or 990-PF).**K** Form of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other**L** Add lines 5b, 6c, and 7b to line 9 to determine gross receipts. If gross receipts are \$200,000 or more, or if total assets(Part II, column (B) below) are \$500,000 or more, file Form 990 instead of Form 990-EZ ▶ \$ **40,704****Part I** **Revenue, Expenses, and Changes in Net Assets or Fund Balances** (see the instructions for Part I) **?**Check if the organization used Schedule O to respond to any question in this Part I ☒

Revenue	1	Contributions, gifts, grants, and similar amounts received	1	1,577
	2	Program service revenue including government fees and contracts	2	215
	3	Membership dues and assessments	3	3,210
	4	Investment income	4	38
	5a	Gross amount from sale of assets other than inventory	5a	
	5b	Less: cost or other basis and sales expenses	5b	
	5c	Gain or (loss) from sale of assets other than inventory (Subtract line 5b from line 5a)	5c	0
	6	Gaming and fundraising events		
	a	Gross income from gaming (attach Schedule G if greater than \$15,000)	6a	0
	b	Gross income from fundraising events (not including \$ 1,420 of contributions from fundraising events reported on line 1) (attach Schedule G if the sum of such gross income and contributions exceeds \$15,000)	6b	31,752
c	Less: direct expenses from gaming and fundraising events	6c	14,710	
d	Net income or (loss) from gaming and fundraising events (add lines 6a and 6b and subtract line 6c)	6d	17,042	
Expenses	7a	Gross sales of inventory, less returns and allowances	7a	3,682
	7b	Less: cost of goods sold	7b	2,891
	7c	Gross profit or (loss) from sales of inventory (Subtract line 7b from line 7a)	7c	791
	8	Other revenue (describe in Schedule O)	8	230
	9	Total revenue. Add lines 1, 2, 3, 4, 5c, 6d, 7c, and 8 ▶	9	23,103
	10	Grants and similar amounts paid (list in Schedule O)	10	352
	11	Benefits paid to or for members	11	0
	12	Salaries, other compensation, and employee benefits ?	12	0
Net Assets	13	Professional fees and other payments to independent contractors ?	13	0
	14	Occupancy, rent, utilities, and maintenance	14	0
	15	Printing, publications, postage, and shipping	15	907
	16	Other expenses (describe in Schedule O) ?	16	17,545
	17	Total expenses. Add lines 10 through 16 ▶	17	18,804
	18	Excess or (deficit) for the year (Subtract line 17 from line 9)	18	4,299
Net Assets	19	Net assets or fund balances at beginning of year (from line 27, column (A)) (must agree with end-of-year figure reported on prior year's return)	19	4,165
	20	Other changes in net assets or fund balances (explain in Schedule O)	20	0
	21	Net assets or fund balances at end of year. Combine lines 18 through 20 ▶	21	8,464

Part II Balance Sheets (see the instructions for Part II)

Check if the organization used Schedule O to respond to any question in this Part II ☒

		(A) Beginning of year	(B) End of year
22	Cash, savings, and investments	4,165	22 8,000
23	Land and buildings	0	23 0
24	Other assets (describe in Schedule O)	0	24 384
25	Total assets	4,165	25 8,464
26	Total liabilities (describe in Schedule O)	0	26 0
27	Net assets or fund balances (line 27 of column (B) must agree with line 21)	4,165	27 8,464

? **Part III** **Statement of Program Service Accomplishments** (see the instructions for Part III)

Check if the organization used Schedule O to respond to any question in this Part III . . . ☒

What is the organization's primary exempt purpose?	To enrich the educational experience at ABC Elementary
--	--

Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. In a clear and concise manner, describe the services provided, the number of persons benefited, and other relevant information for each program title.

Expenses
(Required for section
501(c)(3) and 501(c)(4)
organizations; optional for
others.)

28 Classroom support - ABC PTO provided a reimbursement allowance of \$117 to each of the 35 classroom teachers, allowing teachers to purchase educational materials, recognition awards, technology supplies, other materials to enrich the educational experience for our 600 students.

(Grants \$) If this amount includes foreign grants, check here ☐

28a	4.095
-----	-------

29 Assemblies - ABC PTO underwrote the performance of 5 educational assemblies for our 600 students. The assemblies focused on 1) character education 2) science 3) folklore and storytelling 4) U.S. history and 5) arts in our community. All 600 students attended these assemblies.

(Grants \$) If this amount includes foreign grants, check here ☐

29a	3.500
-----	-------

30 Student planners - ABC PTO purchased a planner for each of our 600 students for the 2017-18 school year. The planners are an essential tool to aid the students in managing their time, keeping track of assignments, communicating between home and school, and generally being prepared to learn every day.

(Grants \$) If this amount includes foreign grants, check here ☐

30a	1,950
-----	-------

31 Other program services (describe in Schedule O)
(Grants \$) If this amount includes foreign grants, check here ☐ ☐

(Grants \$) If this amount includes foreign grants, check here ☐

31a	7,9
-----	-----

32	Total program service expenses (add lines 28a through 31a)	▶
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32	17.45u
----	--------

Part IV List of Officers, Directors, Trustees, and Key Employees (list each one even if not compensated—see the instructions for Part IV)

Check if the organization used Schedule O to respond to any question in this Part IV

[illegible]

Part V Other Information (Note the Schedule A and personal benefit contract statement requirements in the instructions for Part V.) Check if the organization used Schedule O to respond to any question in this Part V ☐

	Yes	No
33 Did the organization engage in any significant activity not previously reported to the IRS? If "Yes," provide a detailed description of each activity in Schedule O	33	<input checked="" type="checkbox"/>
34 Were any significant changes made to the organizing or governing documents? If "Yes," attach a conformed copy of the amended documents if they reflect a change to the organization's name. Otherwise, explain the change on Schedule O (see instructions)	34	<input checked="" type="checkbox"/>
35a Did the organization have unrelated business gross income of \$1,000 or more during the year from business activities (such as those reported on lines 2, 6a, and 7a, among others)?	35a	<input checked="" type="checkbox"/>
b If "Yes" to line 35a, has the organization filed a Form 990-T for the year? If "No," provide an explanation in Schedule O	35b	<input checked="" type="checkbox"/>
c Was the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization subject to section 6033(e) notice, reporting, and proxy tax requirements during the year? If "Yes," complete Schedule C, Part III	35c	<input checked="" type="checkbox"/>
36 Did the organization undergo a liquidation, dissolution, termination, or significant disposition of net assets during the year? If "Yes," complete applicable parts of Schedule N	36	<input checked="" type="checkbox"/>
37a Enter amount of political expenditures, direct or indirect, as described in the instructions ▶ 37a 0		
b Did the organization file Form 1120-POL for this year?	37b	<input checked="" type="checkbox"/>
38a Did the organization borrow from, or make any loans to, any officer, director, trustee, or key employee or were any such loans made in a prior year and still outstanding at the end of the tax year covered by this return?	38a	<input checked="" type="checkbox"/>
b If "Yes," complete Schedule L, Part II and enter the total amount involved	38b 0	
39 Section 501(c)(7) organizations. Enter:		
a Initiation fees and capital contributions included on line 9	39a 0	
b Gross receipts, included on line 9, for public use of club facilities	39b 0	
40a Section 501(c)(3) organizations. Enter amount of tax imposed on the organization during the year under: section 4911 ▶ ; section 4912 ▶ ; section 4955 ▶		
b Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. Did the organization engage in any section 4958 excess benefit transaction during the year, or did it engage in an excess benefit transaction in a prior year that has not been reported on any of its prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I	40b	<input checked="" type="checkbox"/>
c Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. Enter amount of tax imposed on organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 ▶ 0		
d Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. Enter amount of tax on line 40c reimbursed by the organization ▶ 0		
e All organizations. At any time during the tax year, was the organization a party to a prohibited tax shelter transaction? If "Yes," complete Form 8886-T	40e	<input checked="" type="checkbox"/>
41 List the states with which a copy of this return is filed ▶ STATE		
42a The organization's books are in care of ▶ Lisa Black, Treasurer Telephone no. ▶ 000-000-0000 Located at ▶ ABC Elementary, 123 Any Street, City, STATE ZIP + 4 ▶ 00000-0000		
b At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? If "Yes," enter the name of the foreign country: ▶ See the instructions for exceptions and filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR).	42b	<input checked="" type="checkbox"/>
c At any time during the calendar year, did the organization maintain an office outside the United States? If "Yes," enter the name of the foreign country: ▶	42c	<input checked="" type="checkbox"/>
43 Section 4947(a)(1) nonexempt charitable trusts filing Form 990-EZ in lieu of Form 1041 —Check here and enter the amount of tax-exempt interest received or accrued during the tax year ▶ 43		
44a Did the organization maintain any donor advised funds during the year? If "Yes," Form 990 must be completed instead of Form 990-EZ	44a	<input checked="" type="checkbox"/>
b Did the organization operate one or more hospital facilities during the year? If "Yes," Form 990 must be completed instead of Form 990-EZ	44b	<input checked="" type="checkbox"/>
c Did the organization receive any payments for indoor tanning services during the year?	44c	<input checked="" type="checkbox"/>
d If "Yes" to line 44c, has the organization filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	44d	<input checked="" type="checkbox"/>
45a Did the organization have a controlled entity within the meaning of section 512(b)(13)?	45a	<input checked="" type="checkbox"/>
b Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," Form 990 and Schedule R may need to be completed instead of Form 990-EZ (see instructions)	45b	<input checked="" type="checkbox"/>

46 Did the organization engage, directly or indirectly, in political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I

	Yes	No
46		<input checked="" type="checkbox"/>

Part VI Section 501(c)(3) organizations only

All section 501(c)(3) organizations must answer questions 47–49b and 52, and complete the tables for lines 50 and 51.

Check if the organization used Schedule O to respond to any question in this Part VI ☐

47 Did the organization engage in lobbying activities or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II

	Yes	No
47		<input checked="" type="checkbox"/>

48 Is the organization a school as described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E

48		<input checked="" type="checkbox"/>
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49a Did the organization make any transfers to an exempt non-charitable related organization?

49a		<input checked="" type="checkbox"/>
------------	--	-------------------------------------

b If "Yes," was the related organization a section 527 organization?

49b		<input checked="" type="checkbox"/>
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50 Complete this table for the organization's five highest compensated employees (other than officers, directors, trustees, and key employees) who each received more than \$100,000 of compensation from the organization. If there is none, enter "None."

(a) Name and title of each employee	(b) Average hours per week devoted to position	(c) Reportable compensation (Forms W-2/1099-MISC)	(d) Health benefits, contributions to employee benefit plans, and deferred compensation	(e) Estimated amount of other compensation
None				

f Total number of other employees paid over \$100,000 ▶

51 Complete this table for the organization's five highest compensated independent contractors who each received more than \$100,000 of compensation from the organization. If there is none, enter "None."

(a) Name and business address of each independent contractor	(b) Type of service	(c) Compensation
None		

d Total number of other independent contractors each receiving over \$100,000 ▶

52 Did the organization complete Schedule A? **Note:** All section 501(c)(3) organizations must attach a completed Schedule A ☒ Yes ☐ No

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature of officer

Date

Lisa Black, Treasurer

Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name

Preparer's signature

Date

Check ☐ if self-employed

PTIN

Firm's name ▶

Firm's EIN ▶

Firm's address ▶

Phone no. ▶

May the IRS discuss this return with the preparer shown above? See instructions ☐ Yes ☐ No

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Name of the organization

ABC Elementary PTO

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or 990-EZ or to provide any additional information.

► Attach to Form 990 or 990-EZ.

► Go to www.irs.gov/Form990 for the latest information.

OMB No. 1545-0047

2017

**Open to Public
Inspection**

Employer identification number

99-1234567

Part I, Line 8:

Miscellaneous small fundraisers: candy sale, recycling, bake sale

Part I, Line 10:

Donations to local charity (\$300) and book drive (\$52)

Part I, Line 16:

After-school science program, art appreciation, assemblies, building extras, classroom support, educational materials, landscaping,
principal's School Support Fund, student planners for year, student publishing center, end-of-year celebration, good character awards,
new student lunch, popcorn supplies, scholarships for camp/field trips, school safety recognition, staff appreciation, student council T-shirts,
hospitality, incorporation fees, insurance, miscellaneous program/operations expenses

Part II, Line 24

Unsold T-shirts

Part III, Line 31:

Total expenses = \$7,905

Principal's School Support Fund (\$1,000), building extras (\$1,000), educational materials (\$1,000), art appreciation (\$378), landscaping (\$250),
student publishing center (\$150), after-school science program (\$140), staff appreciation (\$890), end-of-year celebration (\$500), scholarships
for camp/field trips (\$800), good character awards (\$486), student council T-shirts (\$458), miscellaneous recognition (\$290), school safety
recognition (\$250), new student lunch (\$110), popcorn sales (\$83), hospitality (\$120)

Name of the organization

Employer identification number

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Schedule O (Form 990 or 990-EZ), such as legislation enacted after the schedule and its instructions were published, go to www.irs.gov/Form990.

Purpose of Schedule

An organization should use Schedule O (Form 990 or 990-EZ), rather than separate attachments, to provide the IRS with narrative information required for responses to specific questions on Form 990 or 990-EZ, and to explain the organization's operations or responses to various questions. It allows organizations to supplement information reported on Form 990 or 990-EZ.

Don't use Schedule O to supplement responses to questions in other schedules of the Form 990 or 990-EZ. Each of the other schedules includes a separate part for supplemental information.

Who Must File

All organizations that file Form 990 and certain organizations that file Form 990-EZ must file Schedule O (Form 990 or 990-EZ). At a minimum, the schedule must be used to answer Form 990, Part VI, lines 11b and 19. If an organization isn't required to file Form 990 or 990-EZ but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Specific Instructions

Use as many continuation sheets of Schedule O (Form 990 or 990-EZ) as needed.

Complete the required information on the appropriate line of Form 990 or 990-EZ prior to using Schedule O (Form 990 or 990-EZ).

Identify clearly the specific part and line(s) of Form 990 or 990-EZ to which each response relates. Follow the part and line sequence of Form 990 or 990-EZ.

Late return. If the return isn't filed by the due date (including any extension granted), attach a separate statement giving the reasons for not filing on time. **Don't use** this schedule to provide the late-filing statement.

Amended return. If the organization checked the *Amended return* box on Form 990, *Heading*, item B, or Form 990-EZ, *Heading*, item B, use Schedule O (Form 990 or 990-EZ) to list each part or schedule and line item of the Form 990 or 990-EZ that was amended.

Group return. If the organization answered "Yes" to Form 990, line H(a), but "No" to line H(b), use a separate

attachment to list the name, address, and EIN of each affiliated organization included in the group return. **Don't use** this schedule. See the Instructions for Form 990, *I. Group Return*.

Form 990, Parts III, V, VI, VII, IX, XI, and XII. Use Schedule O (Form 990 or 990-EZ) to provide any narrative information required for the following questions in the Form 990.

1. Part III, *Statement of Program Service Accomplishments*.

- a. "Yes" response to line 2.
- b. "Yes" response to line 3.
- c. Other program services on line 4d.

2. Part V, *Statements Regarding Other IRS Filings and Tax Compliance*.

- a. "No" response to line 3b.
- b. "Yes" or "No" response to line 13a.
- c. "No" response to line 14b.

3. Part VI, *Governance, Management, and Disclosure*.

- a. Material differences in voting rights among members of the governing body in line 1a.
- b. Delegation of governing board's authority to executive committee in line 1a.
- c. "Yes" responses to lines 2 through 7b.
- d. "No" responses to lines 8a, 8b, and 10b.
- e. "Yes" response to line 9.
- f. Description of process for review of Form 990, if any, in response to line 11b.
- g. "Yes" response to line 12c.
- h. Description of process for determining compensation in response to lines 15a and 15b.

i. If applicable, in response to line 18, an explanation as to why the organization checked the *Other* box or didn't make any of Forms 1023, 1024, 990, or 990-T publicly available.

j. Description of public disclosure of documents in response to line 19.

4. Part VII, *Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors*.

a. Explain if reporting of compensation paid by a related organization is provided only for the period during which the related organization was related, not the entire calendar year ending with or within the tax year, and state the period during which the related organization was related.

b. Description of reasonable efforts undertaken to obtain information on compensation paid by related organizations, if the organization is unable to obtain such information to report in column (E).

5. Explanation for Part IX, *Statement of Functional Expenses*, line 11g (other fees

for services), including the type and amount of each expense included in line 11g, if the amount in Part IX, line 11g, exceeds 10% of the amount in Part IX, line 25 (total functional expenses).

6. Explanation for Part IX, *Statement of Functional Expenses*, line 24e (all other expenses), including the type and amount of each expense included in line 24e, if the amount on line 24e exceeds 10% of the amount in Part IX, line 25 (total functional expenses).

7. Part XI, *Reconciliation of Net Assets*. Explain any other changes in net assets or fund balances reported on line 9.

8. Part XII, *Financial Statements and Reporting*.

a. Change in accounting method or description of other accounting method used on line 1.

b. Change in committee oversight review from prior year on line 2c.

c. "No" response to line 3b.

Form 990-EZ, Parts I, II, III, and V. Use Schedule O (Form 990 or 990-EZ) to provide any narrative information required for the following questions.

1. Part I, *Revenue, Expenses, and Changes in Net Assets or Fund Balances*.

a. Description of other revenue, in response to line 8.

b. List of grants and similar amounts paid, in response to line 10.

c. Description of other expenses, in response to line 16.

d. Explanation of other changes in net assets or fund balances, in response to line 20.

2. Part II, *Balance Sheets*.

a. Description of other assets, in response to line 24.

b. Description of total liabilities, in response to line 26.

3. Description of other program services in response to Part III, *Statement of Program Service Accomplishments*, line 31.

4. Part V, *Other Information*.

a. "Yes" response to line 33.

b. "Yes" response to line 34.

c. Explanation of why organization didn't report unrelated business gross income of \$1,000 or more to the IRS on Form 990-T, in response to line 35b.

d. "No" response to line 44d.

Other. Use Schedule O (Form 990 or 990-EZ) to provide narrative explanations and descriptions in response to other specific questions. The narrative provided should refer and relate to a particular line and response on the form.



Don't include on Schedule O (Form 990 or 990-EZ) any social security number(s), because this schedule will be made available for public inspection.

If your PTO isn't new, you'll need to report the historical information as requested—even if you haven't filed a return before. Hopefully the treasurer's historical files are complete and organized so you can gather the necessary details without frustration. Ideally, if your PTO has filed Schedule A in the past, you can simply pull the numbers off the old forms.

Schedule G

Although Schedule G is three pages long, the typical PTO fills out only Part II. If you're filing Form 990-EZ, you can skip Part I completely. You still need to enter the heading information on the first page, however.

Part II asks for detailed information about your top two fundraisers in particular and all other large fundraisers in total. You must list revenue and expense information in each case.

Part III is about gaming. If your PTO organizes activities like bingo or a casino night, you might want to seek professional advice before filing Form 990-EZ; the rules of gaming are somewhat complicated and vary from state to state.

Schedule O

Schedule O is used to report additional details about several sections and lines from Form 990-EZ. Enter the heading information at the top, then include the details for the appropriate lines from Form 990-EZ as needed.



LEARN MORE

Form 990-series Filing
Date Cheat Sheet

Fiscal year ends:	Filing due date:
May 31	Oct. 15
June 30	Nov. 15
July 31	Dec. 15
Aug. 31	Jan. 15

www.irs.gov/forms-pubs/about-form-990ez
www.irs.gov/forms-pubs/about-form-990ez-schedules

(download the most recent version of the form, associated schedules, and instructions)



Chapter 8:

Transitioning to a New Treasurer

At some point, your term as treasurer will end and someone else will take over. It'll be time to recruit—and train—your replacement.

Recruitment

If you really consider what the job entails, you can accurately explain it to anyone who's considering running for the position. Quite possibly, though, you'll need to proactively seek out a volunteer. The treasurer handles thousands of PTO dollars throughout the year. It's far too important to leave this position to chance.

Before elections, write down the job requirements. Detail the duties, responsibilities, and qualifications to create a treasurer job description specifically for your group. After it's approved by the board, post the job description for everyone to see.

Some members might be afraid that such honesty will scare off potential volunteers. But when you're talking about handling money, it's better to scare off a tentative recruit than to elect someone who'll quickly find she's in over her head. A comprehensive treasurer job description is included with this toolkit.

Training

Even though it's time for you to move on, hopefully you feel a desire to preserve the good practices you implemented and to pass on your experience for the continued benefit of the group.

On the other hand, maybe you're burned out and anxious to unload the books as fast as possible. The last thing on your mind is explaining all this to some newbie.

If you're ready to dump the checkbook and run, first consider how helpful it was (or would have been) for you to be properly trained at the

start. Proper training minimizes pitfalls, missed deadlines, and awkward financial situations—but only if only your predecessor takes the time to prepare you for the job.

The last important thing you do as treasurer is position the next person for success. Don't let your experience go to waste. In the final few weeks of your term, prepare to transition your office with these key tasks:

- Organize all financial files; get rid of unnecessary materials.
- Clean out and organize your day-to-day and historical files.
- Get paperwork from the bank to update account info and signers once the fiscal year is complete.
- List the primary tasks of your job.
- Back up the transaction log one last time (see “Updating the Transaction Log,” p. 39).
- Collect all treasurer materials that have been kept at your house.

Right after elections, contact the new treasurer to set up a transition plan. Don't wait for her to contact you. She might feel nervous or intimidated about “taking over.” At the least, schedule one face-to-face meeting before the end of the school year. Meet somewhere comfortable, and give yourselves at least two hours so you don't feel rushed.

Because there's so much material to cover, consider planning a second meeting after the new treasurer has had a chance to go through the files on her own. During your transition meetings, you can review the role. This toolkit's chapters can be used as a training guide:

1. Getting organized

- Time commitment
- Historical paperwork
- Banking

2. Financial controls

Activities, procedures, and protocols unique to your group and your school

- Specific financial tracking system
- Working with school secretaries, principal, and other staff
- Access to school resources such as photocopying

3. Ongoing tasks

- Processing transactions
- Updating the transaction log
- Reconciling the checking account
- Handling bounced checks
- Monthly reporting
- Record-keeping and filing

4. Annual tasks

- Risk assessment checklist and year-end financial review
- State requirements (e.g., incorporation)
- IRS Form 990-series information return
- Budgeting

Emphasize to the new treasurer that this isn't a job with creative freedom—if your group has implemented sound financial controls and procedures, the new treasurer shouldn't be tempted to do things “her way.” Very little changes from year to year, which actually makes the job pretty straightforward. Any changes to process should be discussed with the board—and then, once approved, added to your procedures documents.

Appendix A:

Annual Audit: A Key Tool Often Overlooked

Do you cringe when you hear the word “audit”? Take a breath. The audit is one of those misunderstood, often frightening things that can make PTO treasurers quiver. But in fact, an annual audit is an irreplaceable tool to keep your financial house in order. And it’s not at all as bad as you might think.

Every year, thousands of dollars move in and out of your PTO’s bank account. The treasurer oversees all of this activity, but the entire executive board is responsible for the care of the money and for ensuring that it’s handled properly. At the end of every school year, you all can ease your minds with an audit of your PTO’s financial records. In this context, an audit is simply an independent, detailed review and verification of your financial records.

The primary benefit of an annual audit is the confidence it gives you and your members that the PTO’s financial house is in order. It verifies that the financial activity has been properly recorded, that the numbers balance, and that there’s a paper trail to back up the transactions from the year. This review is important for the integrity of your organization.

A comprehensive audit also identifies internal controls that should be used to improve the integrity of your financial systems. It gives closure to the treasurer and sets a starting point for the new year’s activity.

An audit is also the primary tool for uncovering financial mismanagement; hopefully you won’t need to conduct an audit for this reason, but it’s the best way to uncover problems before they become significantly more serious.

In your audit, your PTO also might choose to include a review of how closely your group’s income and expenditures matched the year’s budget. This type of review can be a strong planning tool.



TOOLS

- Volunteer Auditor Cover Letter
- Annual Financial Review Guidelines
- Annual Financial Review Report Template

Who Does the Audit?

There are several options for who might conduct your annual financial review. Some PTOs form an audit committee, some recruit a volunteer from the parent community, and some groups hire a professional certified public accountant. When using volunteer labor, it's important that the executive board clearly communicates the requirements, responsibilities, and time commitment expected of the volunteers so they're prepared for the task ahead.

Audit committee: An audit committee should be made up of three to five people who *have not* had access to the PTO checkbook or bank account. Because questions might come up about the details of PTO operations, it's helpful to include an officer, perhaps the vice president or secretary, as a member of the audit committee. The others should be volunteers from the general PTO membership. The treasurer should be available to answer questions but shouldn't be part of the committee.

As a group, the volunteers must be able to meet at least twice during the "off-season," usually summer. While individual audit tasks can be delegated, the committee will need to discuss the objectives and conclusions as a group.

One volunteer: The audit can also be done by a single person, especially if your group has tight financial controls and good records that streamline the audit process.

Professional accountant: Some large PTOs choose to hire a CPA to conduct their annual financial review. The professional will have insight, ideas, and experience that the typical volunteer doesn't. If you're considering hiring a professional, be prepared to spend a few hundred dollars (or more). Search for a firm that specializes in nonprofit organizations.

Regardless of who conducts your PTO's audit, you should organize the year's financial records. This preparation alone can highlight areas for improvement in record-keeping and reporting. If you use good financial controls throughout the year, you should be able to gather the necessary information rather easily. On the other hand, if record-keeping hasn't been a priority this year, be prepared to spend some time organizing your files.

The following records are typically used for a comprehensive annual review; providing them makes the auditor's job easier, but don't avoid an audit just because you don't have them:

- Bank statements for the year
- Bank account reconciliation reports
- Check register (remove it from your checkbook; keep the blank checks in your possession)
- Canceled checks or check images
- A list of transactions
- Reimbursement request and check request forms, including receipts/invoices for expenditures
- Deposit slips
- Annual budget and monthly treasurer reports
- IRS Form 990-series information return
- Any written treasurer procedures or training materials

If the scope of your review includes the PTO's performance to budget, then you should also include:

- Current bylaws
- Minutes from all meetings where spending decisions were approved
- Year-end budget category balances (typically included in the monthly treasurer's report)

When To Audit

Your annual financial review should be done at the end of the PTO's fiscal year, after the bulk of the school year's activity is completed. For most PTOs, that's mid- to late summer. You might still have a few checks outstanding, but there should be little other financial activity at this time.

Even if your current treasurer will continue in the position next year, and even if she's done a stellar job, and even if the task of auditing seems too difficult, complete the audit anyway. It's an essential step in managing the group's financial resources and should be taken seriously, even when everything is visibly in order. Set the precedent now and the audit will become a must-do into the future.

An audit should also be considered when the treasurer's office changes midyear. In this case, the audit is reviewing activity as of a specific cutoff date. The audit will give your new treasurer confidence that she's taking over a clean financial house.

Finally, if there's ever a suspicion of financial mismanagement, an audit should be started immediately.

What the Auditor Does

You can facilitate the audit by providing a checklist of steps and a worksheet for the auditor (see the next page and the included financial review tools). These guidelines can make the whole process easier to grasp, especially if your auditors are volunteers unfamiliar with public accounting.

Making Things Easier

With poor controls, it's difficult for an auditor to determine that all transactions have been properly substantiated and recorded. If you want your volunteers to dig through stacks of crumpled receipts, boxes of disorganized bank statements, and pages of messy transaction journals, you're probably expecting too much. The audit will be compromised and its reputation as a difficult and unwelcome activity will persist. In that case, you should make the commitment to hire a professional auditor.

The Auditor's Report

The review is complete when the report from the auditor is accepted. If you're using volunteers, clearly itemize what you expect back so your auditors know when they've finished their job.

At minimum, the auditor should submit a signed statement that the review has been completed and the books are in order. If the auditor found any exceptions during the course of the review, such as an unrecorded check or a mathematical error, those exceptions should be noted in the report, along with the steps taken to correct them. The report should also include the completed financial review worksheet.

A more robust report might include a list of financial control recommendations. Your auditor might recommend that all PTO checks be signed by two officers, for example.



AUDITOR'S CHECKLIST

You can control the parameters of your own audit. Here are some of the things auditors typically look for; the auditors might also verify monthly treasurer reports and compare expenditures to the annual budget.

Disbursements/Checks

- ☐ All checks written during year are accounted for either as canceled checks or outstanding
- ☐ All checks have been posted to proper budget category
- ☐ All checks have been deposited or cashed by payee indicated and no information on face of check has been altered
- ☐ Voided checks should be defaced and accounted for
- ☐ Each check has been approved and signed by authorized signer(s)
- ☐ Each check has been properly documented with invoice or receipt
- ☐ Disbursements made in a timely fashion

Deposits

- ☐ All deposits made during year have been documented and assigned to proper budget category
- ☐ Deposits made in a timely fashion

Bank Statements and Treasurer Reports

- ☐ Each monthly bank statement has been reconciled and filed
- ☐ Unusual fees or withdrawals (e.g., check-writing fees) have been properly recorded
- ☐ Treasurer reports add up from month to month

Filing Requirements

- ☐ Form 990-series information return (for 501(c)(3) groups) has been filed with the IRS
- ☐ Any other federal or state forms have been filed, as required

Auditor's Report

- ☐ Complete financial review worksheet
- ☐ Suggest improvements to internal record-keeping and cash-handling processes
- ☐ Assess performance against budget
- ☐ Return original financial files

Finally, **the auditor's report might highlight unusual financial risks the PTO is taking and suggest ways to mitigate the risk.** For example, your auditor might recommend that the PTO use a locking cash box to collect fundraising checks rather than an open, unsecured basket.

Make sure your auditor returns the documents you provided, then file the original report in the PTO's permanent archives. At the first meeting of the new school year, present the auditor's report and make a motion to adopt it. According to Roberts Rules of Order, **once the annual report of the auditor is adopted, you don't have to move to adopt each month's treasurer's report.** The reports are presented each month and then simply "filed for audit."



Appendix B:

Changing Banks: The Basics

Banking is as competitive as any other consumer industry. Many banks offer a lot of perks to customers, but they also have a lot of fine print and potential fees on their account options. A per-check transaction fee of 25 cents, for example, could end up costing your group \$200 or more in a year. It's hard to justify working so hard to raise money for the school just to pay some of those profits in avoidable fees.

If your fees are piling up or you have a limit on transactions each month, don't assume you're stuck—look for a better checking account somewhere else. With a little research and a focus on the fine print, you can find a bank to fit your PTO's needs without outrageous fees.

The first step: Make sure your PTO has its own tax ID number (known as an EIN or employer identification number). Even if your PTO isn't a federally recognized tax-exempt 501(c)(3) organization, banks see it as a small business and require an EIN to open an account. (Call the IRS at 877-829-5500 if you're not sure whether the EIN you've been using belongs to the PTO or to the school.)

Summer is a great time to move accounts so that your new system can be up and running before the new school year starts. Visit banks and credit unions in your community and collect their pamphlets on small business checking accounts to get started.

Compare the account details. There might even be multiple kinds of small business checking accounts at a single bank. Make a chart so you can easily compare the features and fees at each bank. Don't be taken in by a name that sounds good, like "nonprofit checking"; if you don't understand the different features or the bottom-line costs to your group, ask.

Fees vary from bank to bank; think about how each type of fee will affect your group. If you have a lot of high-value transactions during your large fundraisers, a "per excess item" fee will cost you the most. If you

do a weekly bagel or popcorn sale or run coin collection fundraisers, it's important to find a bank that doesn't charge extra for coin deposits. Other common fees apply to:

- Dropping below a minimum account balance
- Depositing checks that bounce
- Having canceled checks returned with each statement
- Placing a stop payment on a check
- Withdrawing rolled coins

Consider check-printing costs. At minimum you'll need starter checks for your new account; if you write a lot of checks for contracts or volunteer reimbursements, this could easily be a high cost from year to year. Ask the banks whether they'll give your group a credit for replacement checks.

Don't forget about convenience. Stick to branches in your immediate community. If a bank has weekend hours, extended weekday evening hours, or drive-through processing, that could give it an edge over a competitor with similar fees. Ask whether mobile deposits are an option, and if so whether there's a monthly limit. Find out whether canceled check images can be accessed online.

Avoid fees at your original bank before closing the account. If you have a minimum balance, for example, make sure you stay above it so you don't get stuck with a charge on your way out!

Adapted from "When To Change Banks," by Christy Forhan.

Appendix C:

Figuring Finances for New Events

Planning a new event can be fun and exciting. But how do you estimate the finances for something you've never done before when the committee chair asks "How much can we spend, and how much do we need to make?"

Depending on the PTO's annual budget plan, you might say "just break even," or "it doesn't matter how much you spend as long as you make \$300 net profit," or "cover your costs with ticket and food sales, plus the PTO will provide an additional \$200."

You might think you've answered her questions—but does the information you provided really help the chairperson? You can actually create a tool that will help keep the event on budget and collect start-to-finish financial information that'll be extremely helpful in the future.

What Is a Cost Model?

A cost model is a simple spreadsheet that tracks projected and actual costs and income for a project. A cost model can be built for any event that generates costs, but the technique is particularly useful for any large, complex event that could put the PTO at financial risk.

The treasurer can help the committee stay on target by providing the basic structure of a cost model. The committee chair or other numbers-oriented committee member should keep updating the spreadsheet as plans firm up, eventually developing an accurate history of the costs and income for the event.

Along the way, the cost model will allow the committee to see financial problems before they become crises. The committee will have time to adjust its plans rather than coming back to the board with difficult financial news.



TOOLS

- Event Cost Model Template

A computer-based spreadsheet tool such as Microsoft Excel will make the job vastly easier and can be shared among committee members and officers. A family event cost model spreadsheet template is included with this toolkit.

Building a Cost Model

When you begin to build a cost model, start with your best guess of the costs and income for your event. What kind of food will you serve? Will you sell dinner tickets or charge a la carte? How many people might come? Should we have other activities at the event? Will we buy supplies or get them donated? The basic questions and early decisions form the basis for the cost model. Your first draft will have just a few lines of information.

Even in a simple cost model, it's important to note that some costs are *variable* and some are *fixed*. Variable costs will be affected by the number of attendees. For example, food costs depend on attendance; for a ticketed event, you'd only buy enough food for the number of tickets sold in advance. On the other hand, costs for decorations are usually fixed because these aren't influenced by other factors.

Fixed costs are first entered as estimates by the committee. For variable costs, multiply the unit cost (such as dollars per person for specific food items) by the key factor (such as number of tickets sold). For example, hot dogs might cost 40 cents each. If you expect to sell 390 tickets, the projected cost for hot dogs is \$156.

Even in early versions of a cost model, the committee chair should keep any profit goals in mind and compare total projected costs to projected income. As long as the projected profit meets the estimated goal, the committee is on target financially.

You can also try some "what if" scenarios to help the committee make decisions:

- If we only sell 250 tickets, can we still afford to give printed water bottles as prizes?
- If we can't borrow certain supplies and have to buy them instead, how much more will we have to charge for tickets to stay on budget?

As the committee finalizes its plans, ticket sales will begin and supplies are purchased. These changes should be updated in the cost model. Add

more cost lines and details as they became available. At this point in the planning, the cost model might be changing daily.

If you (the treasurer) receive reimbursement requests from committee members, share this information with the event chair so she can update the actual costs as they occur.

In most cases, the more “mathematical” the projection, the more accurate your figures will be in the long run. In other words, when you prepare a cost model, try to base your projections on valid assumptions and sound calculations, and make guesses only when it’s absolutely necessary.

The Outcome

With this information, your committee can make better decisions and adjust plans as needed. For example, if ticket sales seem to dip below projections, the committee might skip an unnecessary expense such as premium prizes. These kinds of adjustments can keep the event on track to meet its profit and expense goals.

Not every volunteer feels comfortable working with a cost model. But if the treasurer can provide the template and a little helpful assistance, this tool can collect valuable information. The committee can stay on track, raise any red flags early, and present to the board and the members proof that they were fiscally responsible in planning the event.

Adapted from “Figuring Finances for Events,” by Christy Forhan.