



Chapter 6:

Financial First Steps

Organizing and protecting your finances is an important part of setting up your parent group. You will need to:


1. **Decide who will be authorized to sign checks.**
2. **Open a bank account.**
3. **Set up a bookkeeping system.**

Signing the Checks

We recommend that you authorize two people to sign the checks for your organization (typically the treasurer and the president). One reason is convenience. If the treasurer is on vacation and the book club vendor needs a deposit today, you don't want to be stuck.

The other reason is accountability. For the protection of your group and the people responsible for keeping track of the group's finances, it isn't wise to have one person with sole control of the money.

If you have enough volunteers, it's ideal to have cotreasurers, or a treasurer and an assistant; one writes the checks, the other balances the checkbook.



TWICE IS NICE

It's a good idea to **require two signatures on checks over a certain dollar amount** (set by your group in the standing rules or bylaws). Some groups even require two signatures on **all** checks. While it may not be an official banking requirement, your group can still set this policy in its standing rules.

Opening a Bank Account

Once you've decided who will handle the finances, it's time to open a checking account at your local bank.

Make sure the bank's location and teller hours are convenient. Lots of fundraisers mean lots of deposits.

Ask whether the bank will reduce or waive fees for local nonprofits.

Find out whether the branch has a mechanical coin counter. (Just count a few hundred dollars in change from a spring fair or a coin drive and you'll understand.)

Use your group's employer identification number (EIN) on all accounts (Chapter 2).

Use the school's address whenever you can. Home addresses can become problematic when a key leader moves on to another school or district.

Never keep group funds in a member's personal account, even temporarily. It's too easy to "forget" whose money is whose, and it puts both the group's and the individual's funds in jeopardy.

Keeping the Books

As soon as you've elected someone as treasurer, have her set up a system for keeping track of the group's finances. Even before the beginning of the school year, you may have seed money from a summer fundraiser or membership dues coming in. The sooner you have a system in place for keeping accounts, the less chance for confusion later on. Start by implementing a few important financial controls:

1. Make sure your bank statements are delivered to and reviewed by someone other than the treasurer. The person who writes the checks *should not* be the first person to receive the bank statement. This is a crucial safeguard against theft, and it's much easier to institute it as a policy from the start than to tell the treasurer later on that you want someone else to look at the bank statements.

2. Create a paper trail for all transactions, including reimbursements and small expenditures. Don't be casual about handling the cash.

3. Reconcile your account monthly. It's important to review each transaction on a monthly basis to spot any mistakes before they cause problems.

4. Require a monthly report from the treasurer. Even if you don't have monthly general meetings, the board should be updated on the group's financial situation each month.

5. Conduct an annual financial review. Form a committee (*not* including your treasurer) or hire an accountant to review and reconcile the books at the end of each year.

You're entrusted with parent group funds, and we've seen far too many cases of lax accounting practices leading to missing funds from parent group accounts. Smart systems aren't that time-consuming, and they're well worth the effort.

Financial Next Steps

Obtaining Licenses and Permits

Check with your state licensing agency for information on whether your parent group needs any special licenses. For example, some states require a sales tax permit if you'll be selling anything to consumers. In those states, you would need a license to sell spiritwear, for example.

Getting Insurance

Many parent group leaders think their groups don't need insurance. They assume parent group activities are covered by any policy held by the school or district.

In fact, most parent group activities aren't covered under school insurance. There are several reasons why we recommend that your group purchase its own insurance policy. Read Appendix A, "Are You Covered?" for insight on the types of coverage you need and why. ➔



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