

# Suggested Financial Practices for PTOs

## General/organizational tips

- ☐ For checks and balances, and to manage workload, two treasurers are recommended (either treasurer and asst. treasurer or co-treasurers). *Volunteers do not need an accounting background, just good organizational skills and attention to detail.*
- ☐ Procedures should be documented in writing and followed consistently.
- ☐ Treasurer should keep records of....
  - PTO bylaws with financial sections highlighted
  - A copy of the current, approved budget
  - Past financial reports
  - Checkbook to disburse funds as authorized
  - Bank statements
  - Treasurer's account book in which to keep the financial records of the association (may be an electronic file )
  - Internal Revenue Service (IRS) tax information, including the following:
    - IRS determination letter of tax-exempt status and copy of application for tax-exempt status
    - Federal Employer Identification Number (FEIN), also known as EIN (Employer Identification Number)
    - Copies of filed Form 990/990-EZ, 990-N, 990-T, or other required IRS forms
    - Group exemption number
  - Permanent state tax information, such as state sales tax correspondence, state identification numbers, and reports filed with the state such as Form PC and Annual Report, as required
  - Audit reports
- ☐ Deposit form and check request/reimbursement form should be drafted and used consistently.
- ☐ Treasurers and co-presidents should meet on a regular basis to specifically discuss treasury processes and reporting.
- ☐ Consider a separate email address for your PTO treasurers (e.g. treasurer@yourschoolPTO.org) and change the password for this and any other email accounts involving sensitive or financial information on a regular basis.
- ☐ PTOs should consider investing in liability insurance with financial fraud protection.

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## Budget and reporting

- ☐ Prepare an annual budget for the next fiscal year before the end of the current fiscal year.
- ☐ In developing the budget, study the current budget and financial reports. Consider the goals and needs of the organization and the associated costs. Reconcile the estimated costs and the revenue sources available to cover the expenses.
- ☐ A draft budget should be presented to the board for review/approval and then to the membership for approval (following the procedures outlined in your PTO's bylaws).
- ☐ Budgets are an annual plan --estimates of expenses and income. If changes are necessary, follow the process outlined in your organization's bylaws for amending your budget.
- ☐ Detailed financial reports should be provided every month (either at a meeting of the board or the membership).
- ☐ Financial reports and budgets should be in a standardized format.
- ☐ Reports should include the financial figures for the FY-to-date figures and the budgeted amounts. Additionally, the report should show cash balances of all funds, including restricted and unrestricted amounts.
- ☐ General ledger reports should be made available to the PTO board so that members can review the detailed transactions that make up the balances. The board should have access to the information necessary to understand the financial condition of the organization.
- ☐ Create reports as of the end of each month, including summer months, even if activity is limited.
- ☐ The treasurer(s) should provide the presidents with a monthly reconciliation between the bank account statement and the cash amount reported on the financial reports.
- ☐ An annual report of the finances should be reported at the close of the fiscal year.

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## Banking

- ☐ Bank account should be established under a PTO's Tax ID number.
- ☐ Statements, if sent via mail, should be directed to the PTO's address (not to a personal address).
- ☐ Have at least two signors on the PTO bank account.
- ☐ Statements should be received by and reviewed each month by a non-signor on the account, then given to the treasurer. If statements are accessed online, more than one person should have access.
- ☐ Bank statements should be reconciled promptly after being received by the treasurer.
- ☐ Bank statements and treasurer's account spreadsheets should be available and reviewed at board meetings.
- ☐ Deposits should be made on a regular basis and in a timely manner.
- ☐ Deposit form(s) should be used and attached to receipts from bank. Alternatively, copies of checks may be retained for check deposits.
- ☐ Never sign blank checks.
- ☐ PayPal transfers should be made whenever a significant amount of funds is received (>\$1k) or at a minimum of once a month before month end.
- ☐ Passwords in PayPal and for online bank account access should be changed each year and at least one co-president should know the new password(s).
- ☐ Set up text and/or email notifications to be sent out if PayPal or bank account information is changed. Have one of the presidents be the recipient of those messages.
- ☐ To minimize risk, PTO debit or credit cards should not be obtained or used.

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## Payments/Reimbursements

- ☐ A check request/reimbursement form should be used for all payments/reimbursements.
- ☐ Consider requiring two signatures on check request forms or the checks themselves. Some organizations required 2 signatures if an expenditure is above a specified amount (as agreed upon by the board or in accordance with the organization's bylaws).
- ☐ The treasurer should never write a check to him/herself for expenses. Instead the other signatory on the account should sign those checks.
- ☐ Event/fundraising volunteers should submit their expenses for reimbursement and not be reimbursed from event proceeds.
- ☐ Maintain the "paper trail" in the treasurer's file for all payments/reimbursements.

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## Deposits and dealing with cash

- ☐ Use a cash box/cash apron when dealing with cash.
- ☐ Cash for the cash box should be requested from, and documented by, the Treasurer in advance. Cash boxes should not be stocked with cash from individuals.
- ☐ At least two people should be responsible for cash at all times.
- ☐ At least two people should count the cash (daily if multi-day event/promotion) and prepare the deposit slip together.
- ☐ If goods are being sold, there should be a daily inventory of the goods for accountability.
- ☐ Cash and goods should be stored in a secure location.
- ☐ Cash should never be used for expenditures.
- ☐ Cash and checks should be given to the treasurer along with the deposit form and deposited into the organization's account promptly. Cash should be handed over to the treasurer in person (not left for the treasurer in a mailbox or elsewhere).
- ☐ Checks should be listed out separately on the deposit form or copies of each check should be retained with the deposit receipt.
- ☐ Deposit receipts and deposit forms should be retained in the treasurer's files.
- ☐ Provide receipts for donations whenever possible.

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## Audits

- ☐ Financial records should be reviewed internally on an annual basis. PTO bylaws may indicate a procedure and timeline for reporting on an internal audit.
- ☐ During the audit, financial records and transactions should be examined to ensure that funds are accounted for and expenses and income have been properly authorized and documented in accordance with the PTO's bylaws and approved budget.
- ☐ PTOs can consider reaching out to an accounting professional to audit the PTO books and may choose to set aside funds for this purpose.
- ☐ If your PTO has a gross revenue of at least \$200,000 but less than \$500,000 for a given fiscal year, it must file either an audited or reviewed financial statement for that year by an independent certified public accountant. (See <http://www.mass.gov/ago/doing-business-in-massachusetts/public-charities-or-not-for-profits/information-for-existing-charities/audits-and-reviews.html>)

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## Responsibilities of President(s) and Board

- ☐ The presidents and board should review and document expectations regarding financial practices at the start of each year.
- ☐ Presidents and the board should keep their signatories and account information current with the bank at all times.
- ☐ Make sure that the board is advised of their fiduciary responsibility to confirm that funds are being allocated in accordance with the organization's mission and to verify that the funds are, indeed, spent in that manner.
- ☐ Make sure they are supplied with financials with enough time to review and understand the information prior to monthly meetings so they can perform their fiduciary responsibilities and share ownership of the financials.
- ☐ Committee chairs should also be informed by the PTO presidents of any applicable treasury practices.

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## For Committee Chairs

- ☐ Committee chairs should know and review their budget each year and be aware of expected financial practices.
- ☐ Treasurers should make sure committee chairs are tracking their own income and expenses and are verifying that PTO treasury records match their records.
- ☐ Committee chairs should also sign off on check requests to confirm expenditures are valid.
- ☐ If, for any reason, the event will go over budget, committee heads need to discuss the overage with the PTO co-presidents and treasurer before the overage occurs.
- ☐ At the end of any event, committee chairs should receive the general ledger detail for that event and review it for accuracy.