

TIPS FOR TREASURERS

A. GENERAL INFORMATION

1. Be sure the financial records have been audited before beginning a new fiscal year and when there is a change in treasurers. You may want to consider doing an Audit any time there is a change in one of the signatures on the account, such as the President.
2. Check over materials and details with outgoing treasurer. Read over the duties of the treasurer in the National PTA publications, information in this Illinois PTA Local Unit Packet, and your local unit bylaws.
3. Keep your financial records current. Accurate accounts of receipts (including membership dues) and disbursements are necessary. Use a bound ledger book, preferably with numbered pages, or computerized programs following licensing agreements and recommended PTA procedure. (See Section I)
 - a. Give a receipt for all monies received. Money should be counted by at least two people, generally the treasurer and the person submitting the money. They should verify the cash and checks received and sign the receipt.
 - b. Make bank deposits immediately to avoid loss or theft.
 - c. Make all disbursements by PTA check, using an expense voucher system.
 - d. Give a written report at every general membership meeting and executive board meeting.
4. All records are the property of the association. The treasurer is responsible for the safekeeping of records. A Records Retention Schedule may be found in the National PTA Quick Reference Guide.

B. DUES

1. The treasurer should keep the official record of membership up-to-date. The membership chairman should provide member names at the same times dues are turned over to the treasurer. Receipt procedure stated in item 3 above should be followed.
2. The first installment of the National (\$2.25) and Illinois (\$2.00) portion of dues (a total of \$4.25 per member) shall be sent to the Illinois PTA office postmarked no later than **October 1** and monthly thereafter.
 - a. **DESPITE INFORMATION PROVIDED IN PREVIOUS YEARS, THE NATIONAL AND STATE PORTION OF DUES DOES COUNT AS INCOME FOR THE PURPOSES OF REPORTING YOUR GROSS RECEIPTS ON FEDERAL 990 REPORTING.**
 - b. While the National and State portion of dues is included in your Gross Receipts amount for the purposes of your 990 reporting, you may wish to report it separately from your balance on hand when giving your treasurer's report.
3. Local units failing to send any dues by **December 31** shall be considered delinquent, and will be dropped from the mailing list.

4. Dues must be submitted by **February 1** for any local unit to be eligible to receive delegate credentials and convention registration information.
5. Final remittance of dues must be in the state office postmarked no later than **June 25**. According to the IRS Rules and Regulations, the Illinois PTA is required to notify the IRS of any unit whose dues are unpaid, and that PTA must be removed from the Illinois PTA non-profit tax-exempt group listing.
6. Check your dues remittance carefully. Verify the number of members for your PTA with your membership chairman. The total number of members recorded by your membership chairman should equal the total number of dues remitted by the treasurer. **OUR POLICY IS TO ISSUE NO REFUNDS OR MAKE ADJUSTMENTS ON DUES PAYMENTS THAT HAVE BEEN PROCESSED.**
7. **A service charge of \$25.00 will be assessed for checks returned to the Illinois PTA for any reason.**
8. Please remember at the end of the year to return any unused membership cards to the State Office. We are responsible for insuring that dues are remitted for each membership card sent to each local unit and have to account for those not used.

C. CHARTERS

1. Charter seals will be mailed after January 1.
2. The Charter shall contain no more than eight (8) seals. When your Charter is filled, request a new one from the state office at no charge. Eligible units will receive one seal per year.
3. If your Charter has been lost, the state office will issue a replacement for \$5.00.

D. ORDERS FROM ILLINOIS PTA

1. When ordering items from the state office, please use the proper forms. Order forms are available by contacting the state office. Recognition awards are available for purchase on the Illinois PTA website – www.illinoispta.org. Any order forms may be duplicated. To prevent any delay in service, be sure to remit the exact amount to the proper account. All orders should include \$9.95 for shipping and handling. **NO C.O.D. OR TELEPHONE ORDERS WILL BE ACCEPTED. FAX ORDERS WILL BE ACCEPTED WITH APPROPRIATE CREDIT CARD INFORMATION.**
2. Make checks payable to ILLINOIS PTA GENERAL FUND for:

- dues	- publications
- insurance	- Founders Day gifts
- most jewelry (see forms)	- PTA Store items
3. Make checks payable to ILLINOIS PTA SCHOLARSHIP FUND for:

- Life Memberships	- Certificate of Recognition Cards
- Book of Recognition awards	- Local Unit Educator of the Year
- Certificate of Achievement awards	- Scholarship Note Cards
- Distinguished Service Scrolls	- Scholarship Gift Cards
- In Memoriam Cards	- T.H.A.N.K.S. Cards

4. All checks should be mailed to:

ILLINOIS PTA
P.O. Box 907
SPRINGFIELD, IL 62704

Please include the name of the local unit, town, and PTA district/region, as well as the name and daytime phone number of a contact person who can answer questions regarding the order.

5. DO NOT SEND CASH. Your canceled check is your receipt. If your bank does not include canceled checks in your monthly statement, we will provide receipts upon request.

E. AUDITING

1. An audit is necessary to close the fiscal year and when there is a change in the treasurer. The audit committee should be chosen in accordance with the local unit bylaws. (See Section G)
2. A semi-annual, informal audit may be advantageous not only to check on the status of the budget, but also to alert the unit to any possible discrepancies.
3. An audit must be done whenever a new treasurer assumes office during a fiscal year. We also recommend doing one any time a signature on the account changes, such as if a president resigns midterm.

F. BONDING

1. Most associations bond their treasurer and others responsible for collecting and handling funds.
2. Refer to bonding information in this packet.
3. The bonding policy requires that audits be regularly conducted and that checks have at least two signatures.

G. RECEIPTS/DISBURSEMENTS RECORD

1. The checking account must be in the name of the association. Two signatures are required on each check. President and treasurer should notify the bank of name changes and update signature cards as needed.
2. The unit's Federal Employer Identification Number (FEIN/EIN) should be recorded in the financial records and supplied to the bank for use on PTA accounts. This number is available by contacting the state office or Illinois PTA Treasurer. New regulations like the Patriot Act may require the signatories to provide their Social Security Number to the bank, but the SSN should not be used on the account.
3. A third signatory on the bank accounts is recommended in case either the president or the treasurer is unavailable. Procedure should be established in the local unit bylaws.
4. The treasurer should be a member of the budget and finance committee and be available to receive all monies collected at PTA functions and issue receipts for same. Procedure is to be established by the local unit. The treasurer and other signatories are never members of the auditing committee. The treasurer should be available to answer any questions the auditing committee may have.

5. The unit's financial records should be kept in a business-like manner.
6. Blank checks should never be issued.
7. ELECTRONIC BANKING IS NOT RECOMMENDED.
8. USE OF CREDIT CARDS IS NOT RECOMMENDED.

H. MEMBERSHIP ENROLLMENT

Membership cards given to local units in July or August are based on prior year's membership, plus 10%. Additional cards may be requested from the state office after dues have been remitted for at least half of the original membership cards. **UNUSED OR DAMAGED CARDS ARE TO BE RETURNED TO THE STATE OFFICE ALONG WITH THE FINAL DUES REMITTANCE.**

I. ELECTRONICALLY KEPT RECORDS

1. Electronic PTA records should follow the licensing agreement of the manufacturer.
2. Any accounting software used for PTA record keeping should be registered to the PTA not an individual.
3. Information stored electronically on the computer of any individual member of the Executive Committee/Board must be removed from that computer at the conclusion of the term in office in the presence of two duly elected officers. Hard copies of the treasurer's reports should be kept as part of the secretary's minutes.

J. FUNDRAISING

1. Fund-raising is NOT a primary purpose of the PTA. Only those funds necessary to meet the needs of the year's activities and programs, as outlined in your budget to advance PTA work, should be raised.
2. Local unit dues are technically a fund-raiser, but sales tax is not applicable.
3. Please see *Advice on Complying with the State of Illinois Sales Tax Statutes and Appropriate Use of PTA Funds*, included in this packet, for further information.

**U.S. INTERNAL REVENUE SERVICE
REQUIREMENTS
FOR NON-PROFIT ORGANIZATIONS (PTAs and PTSAs)**

Under the Rules and Regulations of the U. S. Internal Revenue Service, the Illinois PTA has acquired a group exemption that provides recognition as a 501(c)(3) non-profit, tax-exempt organization for each local PTA in good standing with the Illinois PTA.

Under these Rules and Regulations, every PTA must have a Federal Employer Identification Number (FEIN/EIN). If you are in doubt as to whether or not your PTA has a number or what that number is, please contact the state office at (800) 877-9617.

All non-profit organizations, including PTAs, must follow the rules and regulations mandated by the IRS. Local PTAs are exempt from federal income tax, but are required to file informational forms with the IRS.

Depending on the amount of monies handled by a PTA, and the way certain monies are paid out to individuals or entities, different IRS forms must be properly filled out and returned to the IRS by specified deadlines.

FREQUENTLY ASKED QUESTIONS ON INTERNAL REVENUE FORMS

1. MUST ALL PTAs FILE FORMS 990, 990N OR 990EZ, INCLUDING SCHEDULES?

Yes. PTAs with gross receipts of less than \$50,000 complete Form 990N; if over \$50,000 but less than \$200,000 complete Form 990EZ, including any Schedules; and if gross receipts are over \$200,000, complete the full Form 990, including any Schedules.

2. WHAT ARE GROSS RECEIPTS?

Gross receipts are the total amount of money a PTA takes in, including all membership dues. Gross receipts include all money that is deposited in the PTA accounts including that owed to vendors after any fundraising event or program. Up-to-date information is that the State and National portion of dues collected IS included in a local unit's gross receipts, which is contrary to information provided by Illinois PTA previously. Net income (not Gross Receipts) is the difference of receipts over expenditures.

3. WHO IS REQUIRED TO FILE A COMPLETE FORM 990EZ, INCLUDING SCHEDULES?

Any PTA grossing more than \$50,000 but less than \$200,000 during a fiscal year is required to file Form 990EZ, including appropriate Schedules. These forms must be filed no later than the 15th day of the 5th month following the close of its fiscal year, i.e. if your fiscal year ends June 30, then your Form 990EZ is due November 15th.

It is recommended that the outgoing treasurer complete these forms as soon as the audit has been completed. DO NOT leave this responsibility for the incoming treasurer, who may not be familiar with the financial records.

The Illinois PTA four digit Group Exemption Number (GEN) is 9405.

When it is necessary to file Form 990EZ including Schedules, please refer to the most recent National PTA publication for examples.

4. WHO IS REQUIRED TO FILE A COMPLETED FORM 990, INCLUDING APPROPRIATE SCHEDULES?

Any PTA grossing more than \$200,000 during a fiscal year is required to file a complete Form 990, including the appropriate Schedules, no later than the 15th day of the 5th month following the close of its fiscal year.

IF YOUR PTA IS REQUIRED TO FILE THESE OR ANY FORMS, BE SURE TO DO SO IN A TIMELY FASHION. THERE ARE NUMEROUS PENALTIES, INCLUDING FINES, IMPOSED BY THE IRS FOR NON-COMPLIANCE AND LATE FILINGS.

5. WHEN WOULD A PTA FILE A FORM 990-T?

Form 990-T, Exempt Organization Business Income Tax Return, must be filed with the IRS when a PTA has gross receipts of \$1,000 or more from business unrelated to the organization's exempt purpose. For details, see the Instruction Form 990-T or IRS publication 598 (Unrelated Business Income).

6. WHEN IS A PTA REQUIRED TO ISSUE AND FILE FORM 1099-MISC, Miscellaneous Income?

If during the calendar year, a PTA pays \$600 or more to any individual for services rendered, circumstances may require the issuance of Form 1099-MISC.

- a. Payment to a volunteer for which there is no documentation in accordance with the local PTA's financial policies. Expenses properly documented with receipts and expense vouchers do not require a 1099-MISC.
- b. Payment to a scholarship recipient. However, payment made directly to an educational institution does not require a 1099-MISC.
- c. Payment for the presentation of a program or series of programs to any individual or to an unincorporated entity.

Form 1099-MISC must be sent to the recipient on or before January 31 of the following calendar year and filed with the IRS by February 28 of that year, regardless of the local unit's fiscal year.

WHEN IN DOUBT AS TO WHETHER OR NOT IT IS NECESSARY,
ALWAYS PROVIDE A 1099-MISC FORM.

7. WHAT SHOULD A PTA DO IF IT HAS NOT GROSSED OVER \$50,000 IN A FISCAL YEAR BUT RECEIVES A FORM 990 OR 990EZ FROM THE IRS?

If your PTA receives such a mailing from the IRS, DO NOT IGNORE IT.

BE SURE TO FILE ANY INFORMATIONAL REQUEST FROM THE IRS IN A TIMELY FASHION TO AVOID FINES AND PENALTIES.

8. WHAT SHOULD A PTA DO IF THE UNIT WISHES TO REQUEST AN EXTENSION OF TIME TO FILE?

If a unit needs more time to prepare and file a 990 or 990EZ, it should request IRS Form 8868, Application for Extension of Time to File an Exempt Organizations Return. This form should be completed and filed prior to the deadline. A maximum of two ninety-day extensions may be requested.

9. WHAT SHOULD A PTA DO IF THE IRS QUESTIONS THE 990?

If the IRS contacts you because the 990 or 990EZ submitted is incomplete or needs clarification, respond promptly. Send information requested to the IRS with a copy of any forms or letters received within the specified time limit. Send the reply so you have proof of delivery.

10. WHAT SHOULD A PTA DO IF IT RECEIVES ANY IRS FORMS?

Whenever a PTA receives an IRS form, it should provide as much documentation as requested and respond immediately. It is important that you do not ignore any request from the IRS, and that you respond in a timely fashion. Failure to comply with requests and deadlines can cause severe penalties and the automatic addition of interest to those penalties.

11. WHAT SHOULD A PTA DO IF SOMEONE ASKS TO SEE OUR 990?

You must make the return available for public inspection if asked. All parts of the return and all required schedules and attachments other than the schedule of contributors to the organization, and form 990-T, must be made available. The return must be available for the three-year period beginning with the due date including extensions.

Recent changes in regulations have made this public document easier to access. The IRS is scanning the returns of 501(c)(3) organizations like PTAs and they are available for viewing online at www.guidestar.org. This transparency means that members, donors and others may look at your return as a tool to evaluating the organization. It is even more important that the document you file with the IRS be accurate and complete.

Your PTA must permit inspection of these records upon request. For requests made in person, the PTA must make an immediate response. For requests made in writing, the PTA must provide the requested copies within 30 days and may charge a reasonable fee for reproduction and mailing costs. Any PTA that does not comply with the public inspection requirement may be assessed a penalty of up to a maximum of \$10,000 for each return.

Here are some tips for filing a clear and accurate 990:

- Use the correct form for the year you are filing.
- Contributors/donors/government grants are not public information.
- Your Statement of Program Service Accomplishments is your Mission Statement.
- Describe your exempt purpose achievements, both measurable and not measurable.
- Never include Social Security Numbers!
- Don't leave blanks.
- Do not include Bank Account Numbers on your 990!
- Protect the privacy of your officers by listing only the school address not home addresses.
- Remember that Form 8868, Application for Extension of Time to File, is also a public document.

For further information, see the **National PTA Quick Reference Guide** at www.pta.org, or go to the IRS website, www.irs.gov.

OBTAINING FORMS:

All federal tax forms and instructions are available through the IRS at:

(800) 829-3676 (1-800-TAX-FORM)

IRS Tax Fax (703) 368-9694

(Dial from a fax machine, and then follow voice prompts to get forms faxed back to you.)

or on the Internet at www.irs.gov

LOCAL UNIT PROCEDURES:

Keep a file including, but not limited to, copies of all filed forms and correspondence with the IRS.

The PTA may need the services of a professional auditor or certified public accountant familiar with the rules and regulations applicable to non-profit organizations.

Do not file an AG990, unless your net income exceeds \$50,000.00.

The Illinois PTA is willing to assist you with general information; however, we do not give legal advice or complete your IRS forms.

The IRS offers a great deal of information for nonprofit organizations at www.irs.gov as well as a toll-free telephone service to answer exempt organization inquiries at (877) 829-5500.

TREASURER'S FINANCIAL REPORT

The treasurer should give a written report at every executive board and general membership meeting and provide an annual report at the final general membership meeting of the year. The treasurer may be requested to present financial reports to the executive committee at other times.

Financial reports should include receipts and disbursements for a specific period of time, i.e. monthly, quarterly, or annually. As National and State portion of dues IS considered in a PTA unit's gross receipts, you may wish to separate the National and State dues portion from other receipts when giving your financial reports.

The treasurer reads the report, and the president asks for questions. After questions are answered either by the treasurer or the president, the report is filed for audit.

Only an audit can verify the accuracy of the financial reports, therefore, the reports are never approved at the meeting.

SAMPLE MONTHLY FINANCIAL REPORT ANYTOWN, PTA

Date

Balance on Hand \$ 410.00

Receipts:

Local unit portion of dues, 26 members @ 1.00	\$ 26.00	
State and National dues 26 members @ 4.25	110.50	
Silent Auction	534.00	
		<u>670.50</u>
		\$ 1080.50

Disbursements:

Administrative (Board expenses)	\$ 5.00	
Postage	10.00	
Cultural Arts (Reflections)	5.00	
Hospitality	10.00	
Newsletter	10.00	
Leadership (SOI)	15.00	
Council Dues	30.00	
Illinois PTA Scholarship	25.00	<u>\$ 110.00</u>

Receipts less Disbursements \$ 970.50

State and National dues 26 @ \$4.25
to be remitted to Illinois PTA \$ -110.50

BALANCE ON HAND as of <date> \$ 860.00

Jane Doe, Treasurer

Filed for Audit (insert date)

Copies to: President, secretary, budget and finance

PTA EXPENSE VOUCHERS

An expense voucher system provides your local unit with a simple financial record-keeping procedure for disbursements that is easy to follow and understand. Using an expense voucher is a simple method of authorizing the treasurer to issue payment within the adopted budget. Just as there is a receipt for all monies received, there should be an expense voucher for each check written.

The audit committee will find it advantageous to have expense vouchers, as well as all receipts, to verify disbursements and income.

Below is a sample EXPENSE VOUCHER you can adapt for your local unit's use.

SAMPLE EXPENSE VOUCHER

Date _____ Amount _____

Payable to _____

Budgeted Line Items

Itemized Expenditures

Signature of Person Requesting Reimbursement

Approved by
(appropriate board member)

Return check to: _____
(If check is to be mailed, include mailing address.)

Attach all receipts and invoices

For Treasurer's use only

Check # _____ Date _____

REIMBURSEMENT OF PTA EXPENSES

Many of the expenses a local unit will be reimbursing are for the purchase of supplies and materials for PTA events and projects. These expenses are straightforward with a receipt and dollar amount. Two topics consistently generate questions on reimbursement of expenses. This information is intended to clarify those topics.

Reimbursement of Sales Tax

Generally speaking, PTA board members who purchase materials for PTA use should use the Tax Exempt Letter provided in this packet for their purchase. (See the information on sales tax for products purchased for resale.) However, some merchants and warehouse clubs do not accept this letter except under specific circumstances. A special membership or PTA check at the time of purchase may be expensive or unworkable.

While all board members should strive to be thrifty when making purchases for the PTA, sometimes the best price will include sales tax. **It is perfectly acceptable to reimburse sales tax on a purchase made for PTA use, especially when that purchase is the most economical choice.**

Reimbursement of Registrations and Travel Expenses

The use of PTA funds for training, conventions and workshops that will help PTA leaders become more knowledgeable and capable are a perfectly appropriate use of PTA funds. When the budget is prepared and approved by PTA members, the amount a PTA can afford to spend on these items should be included in the budget. The amount reimbursed should not exceed the budget and may include any or all of the following items. (The reimbursement amounts used by the Illinois PTA Board are included as a suggested amount.)

- √ Registration fees for training, workshops or convention.
- √ Hotel Expenses at one half of the best rate available for a double room. It is expected that board members share a room, if at all possible.
- √ Travel Expenses
 - Auto - mileage at \$.40 per mile and tolls
 - Parking
 - Public transportation
 - Airfare if pre-approved and the most cost effective based on comparing mileage
 - Cab fare not to exceed \$15.00
- √ Meals
 - \$28.00 per day per diem (requires no receipts)
 - Meals provided at the event should not be included in reimbursement
 - Individual meals at per diem rates based on the times of travel
 - Breakfast -- \$5.00
 - Lunch -- \$8.00
 - Dinner -- \$15.00

DEPOSIT VOUCHER

DATE _____

COMMITTEE/EVENT _____

AMOUNT OF DEPOSIT \$ _____

Coin _____

Cash _____

Checks _____

COUNTED BY _____

Two Signatures

DEPOSIT VOUCHER

DATE _____

COMMITTEE/EVENT _____

AMOUNT OF DEPOSIT \$ _____

Coin _____

Cash _____

Checks _____

COUNTED BY _____

Two Signatures

GUIDELINES FOR THE BUDGET AND FINANCE CHAIRMAN AND COMMITTEE

The budget and finance committee develops a budget to meet the needs of PTA programs and activities. After the PTA has adopted the budget, the budget and finance chairman is responsible for assuring that PTA money is disbursed in accordance with the budget, presenting necessary amendments to the budget at executive board and general meetings, and keeping all expenditures within the line item amount of the budget. Remember any changes to the budget must be approved (voted on) by the general membership.

COMPOSITION:

Refer to the bylaws to determine whether the budget and finance committee should be elected or appointed. The committee usually consists of members knowledgeable about the PTA's needs, proficient in bookkeeping and accounting, and experienced in planning a budget. The treasurer, past treasurer, and ways and means chairman should be members of this committee. The president is an ex-officio member.

Since fund-raising is not the primary objective of the PTA, the committee should focus on the PTA Objects/Purposes, and begin the year with the appropriate goals before deciding on the dollar amount needed. Fund-raising should reflect the high principles of the association. It should have educational, social, cultural, or recreational value in itself. Never undertake any form of fund-raising that may be detrimental to character building (such as gambling). When children take part in fund-raising events, their role should be either a natural outgrowth of their school experiences (book fairs) or a constructive leisure-time activity (fun fairs). Children should never be exploited or used as fund-raisers, especially as door-to-door salesmen.

PROCEDURE:

1. The budget committee should meet and plan the budget prior to the close of the current fiscal year. **DO NOT WAIT UNTIL FALL TO DO THIS PLANNING.**
2. Treasurer's records and copies of last year's budget should be available for guidance in planning the new budget. However, do not let past practice limit your planning for the new year.
3. The committee should take into consideration the funds needed for approved programs and projects, leadership development, and committee and officers' expenses.

ADOPTING THE BUDGET:

1. Present the proposed budget to the executive board meeting for input and approval for presentation to the general membership.
2. Present the approved budget at the first regular meeting for consideration and **ADOPTION** by the PTA members. This presentation is made at a meeting where a quorum is present. A majority vote of the members present and voting is required for adoption. The chairman says, "I move the adoption of the proposed budget for the ____ fiscal year." The chairman then presents the budget, line by line, for explanation, discussion, and possible amendments.

AMENDING THE BUDGET

Since the budget is only an estimate of the planned expenditures for the year, it may be necessary to amend it from time to time. When there are additional expenses, or change in an allocated expenditure, the budget may be amended by a vote of the association at any regular meeting, or at a special meeting

called for that purpose. The executive board may not amend the budget. To amend something previously adopted, it is necessary to have a two-thirds (2/3) majority vote, or with previous notice, a majority vote.

ALLOCATION TO NEXT YEAR'S BUDGET

This amount is what is over and above what is needed for the budgeted items. It is advisable and suggested that these funds be left as part of the "cash on hand" for next year. This should be a line item in the budget adopted by the membership at a regular meeting.

EXPLANATION OF THE BUDGET

A budget is a financial guide for procuring and appropriating funds to meet the needs of the year's activities as planned by the association. Remember, as a 501(c)(3) organization, your budget should not include a profit. The anticipated income should equal the proposed expenditures – see sample proposed budget. The following suggestions of items included in a local PTA unit or council budget may be adapted to your specific needs. Note that the total income should be the same as the total expenses.

ANTICIPATED INCOME

1. CASH ON HAND are the funds left at the end of the previous PTA fiscal year and are the first income item of the current budget.
2. LOCAL UNIT PORTION OF DUES is the anticipated dues determined by estimating the number of members for the year multiplied by the local portion of dues. The local portion is determined by a vote of the general membership. (See local PTA unit bylaws.) This amount excludes the dollar amount of the Illinois PTA and National PTA dues.
3. WAYS AND MEANS PROJECTS (Fundraisers) equal the amount necessary, in addition to cash on hand and local unit portion of dues, to cover anticipated expenditures.

ANTICIPATED EXPENDITURES

1. ADMINISTRATIVE EXPENSES should cover such expenditures as liability insurance, bonding insurance, postage, telephone calls, office supplies, copy machine expenses, and record books for secretary and treasurer. If your PTA anticipates grossing \$25,000 or more, it should consider including a line item to cover the cost of a professional to prepare and file necessary IRS forms, i.e. 990EZ and Schedules.
2. COMMITTEE EXPENSES
 - a. Cultural Arts—expenses for Picture Person programs, Reflections, etc;
 - b. Hospitality—expenses for name tags, refreshments for meetings, etc;
 - c. Legislation—postage for mailings to legislators, etc;
 - d. Membership—supplies, etc;
 - e. Newsletter—cost of paper, copying, distribution, etc;
 - f. Parent Education—materials, periodicals, etc;
 - g. Program—expenses for speakers, publications, etc.
3. LEADERSHIP DEVELOPMENT expenditures further the work of your PTA. By sending representatives to state, region, district and council conferences and meetings, you are developing future leaders who will strengthen and enrich your PTA. **Please see Reimbursement of PTA Expenses for suggested reimbursement rates.
4. STUDENT ACTIVITIES include expenses such as field trips, graduation activities and cultural arts assemblies.
5. CONTRIBUTIONS OR DUES
 - a. Council dues according to the council bylaws;

- b. Illinois PTA Scholarship Fund contributions, including Life Memberships, Book of Recognition Awards, Certificate of Achievement Awards, Distinguished Service Scrolls, In Memoriam Cards, T.H.A.N.K.S. Awards, and Local Unit Educator of the Year Awards.
- 6. CONTINGENCY OR MISCELLANEOUS FUNDS cover any unforeseen expenditure, which cannot be posted to any of the budget line items. A small amount of funds should be in this line item. The contingency line item is **not** to be used to cover overages in any of the other line items. If a line item exceeds the budgeted amount, the budget must be amended at a general membership meeting.
- 7. ALLOCATION TO NEXT YEAR'S BUDGET is a reasonable amount allotted for the coming year to meet the expenses that arise before membership dues and other funds begin to be received.

SAMPLE PROPOSED BUDGET OF ANYTOWN PTA
FOR THE YEAR 20__-20__

ANTICIPATED INCOME

	Prior Year's Budget	Prior Year's Actual	Current Proposed
Cash On Hand	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00
Local Unit Portion of dues	500.00	533.00	525.00
Fundraiser #1	1,500.00	1,833.20	1,475.00
Fundraiser #2	<u>1,500.00</u>	<u>2,166.80</u>	<u>1,500.00</u>
	\$ 5,000.00	\$ 6,033.00	\$ 5,000.00

PROPOSED EXPENDITURES

<u>Administrative Expense</u>			
Officers Expense	250.00	229.50	250.00
Liability Insurance	110.00	105.00	110.00
Bonding Insurance	<u>140.00</u>	<u>140.00</u>	<u>140.00</u>
	500.00	474.50	500.00
<u>Committee Expense</u>			
Cultural Arts	300.00	299.50	300.00
Hospitality	100.00	92.49	100.00
Legislation	25.00	21.75	25.00
Membership	25.00	23.00	25.00
Newsletter	100.00	97.85	100.00
Parent Education	100.00	95.50	100.00
Programs	300.00	289.00	300.00
Yearbooks	<u>50.00</u>	<u>48.75</u>	<u>50.00</u>
	1,000.00	967.84	1,000.00
<u>Leadership Development</u>			
Illinois PTA Convention	500.00	500.00	500.00
State Conferences	100.00	95.00	100.00
District Annual Meeting	100.00	100.00	100.00
School of Information	<u>50.00</u>	<u>49.00</u>	<u>50.00</u>
	750.00	744.00	750.00
<u>Student Activities</u>			
Assemblies	500.00	485.00	500.00
Graduation Activity	<u>500.00</u>	<u>497.50</u>	<u>500.00</u>
	1,000.00	982.50	1,000.00
<u>Contributions/Dues</u>			
Council Dues	100.00	100.00	100.00
IPTA Scholarship	500.00	500.00	500.00
Founders Day	<u>50.00</u>	<u>50.00</u>	<u>50.00</u>
	650.00	650.00	650.00
<u>Contingency/Miscellaneous</u>			
Allocation to Next Year's Budget	100.00	75.00	100.00
	<u>1,000.00</u>	<u>890.55</u>	<u>1,000.00</u>
TOTALS	\$ 5,000.00	\$ 4,784.39	\$ 5,000.00

Date Approved by Board _____ Date Adopted by General Membership _____

AUDITING OF PTA FINANCIAL RECORDS

The purpose of an audit is to certify the accuracy of the financial records and assure the membership that the association's funds are being managed in a business-like manner, within the regulations and budget established for their use.

Financial records should be audited at least annually or whenever a new treasurer assumes office. It is advisable to have your budget reviewed periodically as well. Your bylaws should provide for the terms for the selection of the audit committee; however, if they do not, the executive board elects a minimum of three (3) members to audit the financial records. No one authorized to sign checks is eligible to serve on this committee. The treasurer and president should be available to answer questions, but if they are the signators on checks, they should not be a part of the actual audit.

The audit should be completed as soon as possible following the close of the fiscal year. During the audit, checks may **not** be written but monies received should be deposited.

Upon completion of the audit, the outgoing treasurer should prepare the information for filing the appropriate 990 Form, and any Schedules with the Internal Revenue Service. In the event it is your first filing, you may want to employ an outside agency to prepare your tax return. **DO NOT LEAVE THIS RESPONSIBILITY FOR THE INCOMING TREASURER, WHO MAY BE UNFAMILIAR WITH THE FINANCIAL RECORDS.**

Only an audit can verify the accuracy of the financial records; therefore, the financial reports are never adopted at a meeting but are "filed for audit." The audit report should be presented as the first item of business at the first general membership meeting of the new PTA fiscal year. If your fiscal year ends on June 30, the audit report would be given at the first general meeting in the new fiscal year.

THE TREASURER PROVIDES THE FOLLOWING TO THE AUDIT COMMITTEE:

- Checkbook and check registers
- Bank statements, canceled and voided checks or copies if returned by the bank, deposit slips, and any official notices from the bank. Canceled checks should have the appropriate expense voucher and receipt(s) attached
- Ledger and receipt book(s)
- Treasurer's record of membership
- Copies of financial reports and any other financial documents
- Copies of secretary's minutes (board, regular and executive committee meetings)

AUDIT COMMITTEE PROCEDURES:

1. Start with a copy of the last audit report; verify beginning balance on hand; verify deposits in transit have been made, and outstanding checks have cleared the bank.
2. Check receipts against entries in ledger, treasurer's financial reports and verify deposits.
3. Check disbursements in ledger against expense vouchers, invoices, treasurer's financial reports and canceled checks or copies if returned by the bank. (At this time, canceled checks should be attached to appropriate expense vouchers for future reference.)
4. Reconcile final bank statement balance with final balance in ledger, check register, and annual report. Add any monies to be deposited; subtract amount of outstanding checks. The final figure is the amount on hand to begin operating the new year.
5. The committee members sign the ledger at the point of the last entry and prepare the audit report. (The Illinois PTA ledger provides an audit report form, and current National PTA publication provides a sample of an audit report form.)
6. The audit report should:
 - a. show the amount on hand at the beginning of the fiscal year;
 - b. show the total income for the year;
 - c. show the total disbursements for the year;
 - d. note balance on hand to begin new fiscal year;
 - e. note any money deposited but not shown on the bank statement;
 - f. list numbers and amounts of outstanding checks;
 - g. include a dated statement that records are correct, incorrect, or incomplete; and
 - h. be signed by members of the audit committee.
7. The committee must provide a copy of the report to the president, secretary, treasurer, and the budget and finance chairman. Additional copies should be available to members upon request.
8. After presenting the report, the chairman of the committee moves adoption of the report. No second is required since the motion comes from a committee, but a majority vote is necessary for adoption.

If your PTA's gross receipts are in excess of \$150,000 for the fiscal year, Illinois statutes require that you have an outside, independent audit. (Illinois Charitable Trust/Solicitation for Charities Act)

PTA AUDIT REPORT FORM

Name of PTA Unit _____ PTA District _____

Balance on hand (date of last audit) \$ _____

Receipts (from last audit to date of audit) \$ _____ (1)

TOTAL CASH \$ _____ (2)

Disbursements (from last audit to date of audit) \$ _____ (3)

BALANCE ON HAND (date of audit) \$ _____ (4)

Latest Bank Statement Balance \$ _____ (5)

LIST OUTSTANDING CHECKS

<u>Date</u>	<u>No.</u>	<u>Name</u>	<u>Amount</u>
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Total Checks Outstanding \$ _____ (6)

Deposits not yet Credited \$ _____ (7)

Balance in Checking Account \$ _____ (8)

We have examined the books of the treasurer of _____ PTA and find them to be:

- correct
- incomplete
- substantially correct with the following adjustments:
- incorrect

AUDIT COMMITTEE MEMBER'S SIGNATURES

Date audit completed _____

 (Chairman)

Add Total Receipts (1) to Balance on Hand to find Total Cash (2); subtract Total Disbursements (3) from Total Cash (2) to find current Balance on Hand (4). Both Total Receipts and Total Disbursements should be for the period being audited. The Bank Statement Balance (5) less Total Checks Outstanding (6) plus Deposits not yet Credited (7) will give the Balance in Checking Account (8). (4) should equal (8)

The audit must be presented at a General Membership Meeting prior to adopting the budget.

INCORPORATION FOR PTAs

The Illinois PTA encourages all PTAs to incorporate because incorporation offers additional liability protections for all PTA members. In the event an incorporated PTA is sued, barring willful or wanton conduct, only the PTA, as an entity, with its limited assets, would be subject to lawsuit and/or damages, not the individual members. Liability of the members is limited to the assets of the corporation.

Incorporation is a simple procedure requiring some fees:

- The Secretary of State's website, cyberdriveillinois.com, has a great deal of information on filing for, maintaining and checking on incorporation. In addition to finding information, downloadable forms and filing fees, the site offers a new real time search of the corporate database. This allows you to check to see that your PTA incorporation is up to date. To contact the office by phone, call 1-(800) 252-8980. When checking for information on filing to become a corporation, be sure to look for the not-for-profit corporate information.
- Complete two copies of Form NFP-102.10 from the Secretary of State's Office, Corporation Division and return to the Secretary of State's office with a certified check, cashier's check or money order.
- Common PTA names (e.g., Washington PTA, Lincoln PTA, etc.) should be identified with the PTA District number, Region name and/or town. A search on the website can tell you if the name you are requesting is already being used.
- A registered agent is required. This individual should be someone who will have a long-term involvement as a member of the PTA. Notification is necessary when there is a change of registered agent. The permanent address for the corporation can be the same address used for the Employer Identification Number (EIN) of the PTA.
- Within fifteen (15) days after receipt of the certificate of incorporation, it must be filed with the Office of the Recorder of Deeds in the county in which the corporation is located.
- Annual reports are required to be filed with the Secretary of State before the first day of the corporation's anniversary month. Failure to file could lead to dissolution of the corporation. This report is also available online and a minimal fee is charged to keep the incorporation up to date.
- Article I of the PTA's bylaws must be amended following incorporation to add a new third sentence, "This PTA is incorporated under the laws of the State of Illinois."
- The office of the Illinois PTA should be notified at (800) 877-9617, providing the corporate 8-digit number.

COMPLYING WITH STATE OF ILLINOIS SALES TAX STATUTES

Illinois PTA is a non-profit organization, recognized by the Internal Revenue Service and by the Illinois Department of Revenue. Each local PTA and Council shares in the exemption identification number (an “E” number) granted by the state to the Illinois PTA. Organizations in Illinois that have E numbers are allowed to make very limited types of sales to consumers without incurring sales tax liability.

In general, an exempt organization may engage in sales to members, noncompetitive sales, and certain occasional dinners and similar activities without incurring sales tax liability. Information on these rules and the interpretation of the laws can be found on the Illinois Department of Revenue website at www.revenue.state.il.us.

While private letter rulings are legally binding only on the organization which requested the ruling, these letters along with general information letters are posted on the Department of Revenue website to guide organizations on the intent and interpretation of the law. A review of this material has resulted in this advice.

Sales to Members

Sales to members for the organization’s purposes are exempt from sales tax. For example, if something like a parent/teacher directory or a PTA pin were sold only to PTA members that sale would be exempt. It should be noted that in ST00-0019-PLR (a private letter ruling concerning the sale of hot lunches) the Department of Revenue stated that “The Association is not a school...” which precludes PTAs from making tax-free sales to students and “the students are not members of the Association...” which precludes tax-free sales to students as members unless the organization is a PTSA and the students in question are members.

Noncompetitive Sales

Sales are noncompetitive if:

- √ They are conducted by members;
- √ All proceeds go to the fundraising group;
- √ Sales are only held annually or a small number of times each year; and
- √ If purchasers are buying the item primarily to make a donation, rather than to purchase the item being sold.

ST00-0020-PLR (a private letter ruling concerning gift wrap) states that “...the dominant motive of buyers of the wrapping paper is donative, and that a buyer’s purpose in buying the overpriced wrapping paper is clearly to make a charitable gift to the school as opposed to simply acquire the merchandise.” Based on this ruling, the price of the product seems to be an important factor in determining the intent of the buyer.

Sales Made at Occasional Dinners and Similar Activities

Regulations allow exempt groups to engage in selling these types of items to the public two times per calendar year without incurring sales tax liability. In ST00-0021-PLR it states that “This exemption extends to occasional dinners, ice cream socials, fun fairs, carnivals, rummage sales, bazaars, bake sales and the like, when conducted by such organizations, whether the items that are sold are purchased or donated for the purposes of the sale.” Additionally, ST02-0113-GIL states “...occasional sales can be sales where the organizations are purchasing the items for the purpose of resale.” **The organization may determine which two events are to be conducted tax-free.** Any sales in this category that would normally include a sales tax liability, beyond the two tax-free sales per calendar year would require the payment of sales tax.

Items Purchased for PTA Use

Any items for PTA Use may be purchased without payment of sales tax. This includes items purchased to produce something to be sold, i.e. a sweatshirt that will be decorated or food items to be cooked and sold. Spaghetti dinners, pancake breakfasts and the like are free of sales tax liability only when the PTA prepares the food to be served. Any all-inclusive ticketed event like an ice cream social will be exempt from sales tax if the only money collected is for the ticket.

Sales of Donated Items

Sales of items previously used by the PTA or donated for resale do not carry a sales tax liability. These sales would include rummage sales, garage sales, bake sales and other sales of donated items in which the entire sale price benefits the PTA.

Hot Lunch Programs

Hot lunch programs are discussed in ST00-0019-PLR, as mentioned above. This ruling concluded that sales of hot lunches by a PTA to students do not qualify as sales to members or as noncompetitive sales. The ruling concludes that sales tax need not be paid only "...if the Association purchases the food items and prepares the hot lunches for the students. However, if the Association contracts with a caterer for the hot lunches for the students, the exemption is inapplicable." According to this ruling, the PTA can pay sales tax to the vendor from whom the food is purchased to meet the sales tax liability. Based on recent information, it may be possible to treat a hot lunch program as one (or both) of the sales tax free sales IF the sale is conducted on a once a year (or semester) basis.

Fun Fairs

Fun fairs may represent a combination of the types of sales discussed previously. If the fair were held as an all-inclusive ticketed event, there would be no sales tax liability. Often, they may include donated items like cakes for a cakewalk, purchased items like prizes for games, and the rental of equipment. None of these items should carry a sales tax liability. If the food at this event is prepared and sold by volunteers, there is no liability for sales tax on the food. However, if the food at this event is catered, there is a sales tax liability. Based on the information in ST00-0019-PLR regarding hot lunches, we recommend that you pay sales tax to the caterer.

How to Pay Sales Tax

When sales tax must be collected from purchasers and remitted to the State of Illinois:

- Address sales tax requirements in all contracts negotiated. Ask the vendor to be the seller of the goods. Therefore, the vendor would collect all proceeds, remit the sales tax and pay the profits to the PTA.
- Ask the vendor to build sales tax into the purchase price in brochures or price lists, and include a statement in the contract requiring the vendor to remit sales tax to the State of Illinois. (Some vendors are working with PTAs to offer this type of brochure.)
- Pay the sales tax on the price the vendor charges the PTA. Particularly when the selling price of an item is near the price paid to the vendor, this should adequately address the sales tax liability.
- Only as a last resort, collect sales tax on items, and remit directly to the Illinois Department of Revenue. (Based on anecdotal information, the department has discouraged local units from doing this.)

Please consult the attached chart for a concise guide to sales tax liability for certain fundraisers. Keep in mind that this guide is not all-inclusive and the rules previously discussed apply to all PTA sales.

The Illinois PTA will continue to review the sales tax regulations and keep you informed of any changes that occur. Should you have questions, or require additional information, please contact the Illinois PTA.

Frequently Asked Questions on Illinois Sales Tax

1. *Where can I find information on the sales tax requirements for exempt organizations, such as my PTA, in the state of Illinois?*

Illinois PTA has distributed information on sales tax titled “Advice on Complying with the State of Illinois Sales Tax Statutes” and “Additional Advice on Complying with State of Illinois Sales Tax Statutes.” This information was mailed to every PTA, is available on the Illinois PTA website (www.illinoispta.org) or can be emailed to you by contacting the Illinois PTA Treasurer. Additional information can be found on the Illinois Department of Revenue Website www.revenue.state.il.us/. For questions, you may also email or call the Illinois PTA Treasurer. (Contact information below.)

Remember, the number of fundraisers your PTA can conduct without paying sales tax is very limited. Your PTA may conduct two fundraisers per year in which goods you purchase for resale are sold without paying sales tax. Fundraisers in which the items sold are made by your PTA (for example, a bake sale), and certain types of fundraisers deemed noncompetitive by the state may also be held without paying sales tax. Any additional sales, even those held as a “service” where little profit is made, require the payment of sales tax.

2. *Do I need to worry about sales tax with an out-of-state vendor?*

Out-of-state vendors have no obligation to collect or remit Illinois sales tax when they sell goods to your PTA for resale. Unfortunately, this does not relieve your PTA of the responsibility for sales tax. Any sale of products from an out-of-state vendor should be one of your limited number of sales exempt from sales tax. This requires that your PTA plan ahead and deal with the sales tax issues on all sales you are planning for the year. If the number of sales you are planning exceeds the number of allowed sales exempt from sales tax, you will need to choose the sales you will pay sales tax on. A sale involving an out of state vendor should be one of the exempt sales that you choose.

3. *When we pay sales tax, can we just pay the state rate (6.25%) or do we need to pay the local sales tax, too?*

When you pay sales tax to a local vendor, you must pay the local sales tax rate. This varies based on your county and municipality but will include the state rate. If a vendor who is not local is willing and able to collect only the state rate (6.25%) from you, that is acceptable but certainly not required.

4. *What should our PTA do if a vendor requests a certificate of resale or CRT-61?*

A vendor who is selling a product to your PTA for resale is legally responsible to the Illinois Department of Revenue for sales tax. The vendor has three options:

- **First, they can obtain a copy of the tax-exempt letter from your PTA if the sale is one of the limited number of allowable, exempt sales your PTA is conducting.**
- Second, they can ask for a certificate of resale or CRT-61 that certifies the PTA is a registered reseller, providing the PTA’s ID number for remission of sales tax, and stating that the PTA will collect and remit the sales tax to the department of revenue. The regulations are clear that it is the vendor’s responsibility to insure that any ID number provided by a PTA is valid and where there is any doubt about the tax being paid it is the vendor’s responsibility to pay it to the state.
- Third, they can charge your PTA sales tax and remit it to the state.

Most PTAs do not have or need an ID number for the remission of sales tax because they conduct only a limited number of sales during the year. This leaves the first or third option for the vendor. If

you are asked to provide a CRT-61, inform the vendor that you do not have an ID number. If the sale is one of your sales tax free sales, provide the tax-exempt letter to the vendor. If not, you can expect the vendor to charge you sales tax and remit it to the state. This will reduce your profit on the sale unless you set the price of what you are selling a little higher to cover the additional cost.

5. *Can our PTA charge sales tax at our book fair and send the tax to the vendor for remission to the state?*

If your PTA computes and charges sales tax at any sale, depositing the money in your PTA account, it is your responsibility to send the sales tax to the state. In order to do this, you must have an ID number as mentioned above. If the sale is not one of your sales tax exempt sales, look for vendors who will collect all money themselves and send you only the profit. In other words, all charges and checks go directly to the vendor while any cash is sent to the vendor via money order or collected (after being counted and signed for) on site. The fringe benefit of this type of sale is that the only money included in your gross income for the year is your profit, not the money you send on to the vendor. Look for vendors who will work with you and make the sale easier on your PTA.

6. *Must our PTA pay sales tax to the vendors we use for our catered Hot Lunch Program or Snack Day Program?*

Based on the information in ST00-0019-PLR, a private letter ruling from the Illinois Department of Revenue, yes. Ongoing sales do not count as one or more of the limited number of allowable tax-exempt sales your PTA is allowed. This assumes that your PTA has repeated individual sales of lunches or snacks. The sales tax in this case may be paid to the vendor on the cost of the catered food that your PTA pays. However, if you sell catered lunches or snacks on a semester or yearly basis, it appears that you could choose one or both sales as your tax-exempt sale. Remember, you need to look at your sales for the entire year to decide which are tax-exempt if the sales your PTA is planning exceed the allowable number.

7. *What can we do when the vendor we use refuses to charge or remit sales tax?*

This may happen if you are dealing with a wholesale vendor or a vendor who is not willing to accommodate your request. If the sale involved is one that sales tax must be paid on, you should find a vendor willing to charge and remit the sales tax. PTAs should choose vendors who are willing and able to help them meet the requirements of the law.

8. *Our vendor told us that we were the only PTA in our district that is paying sales tax. Why should we pay?*

You should pay sales tax, when required, because it is the law in Illinois. Illinois PTA encourages all local PTAs to learn about and abide by the laws regarding sales tax. We are here to help you do just that.

9. *Should we be keeping records of our decisions about sales tax and our fundraisers?*

YES! You should be keeping copies of contracts, invoices, receipts, minutes from your meetings and any other notes or documentation of your choices to pay sales tax or to choose sales tax-exempt sales as well as proof that the tax was paid. If your decisions are questioned, the questions will be asked in future years. Your decisions should be clearly documented in writing so that future officers can understand and explain what was done.

NUMBERS AND YOUR PTA

There are several “numbers” assigned to your PTA which the president and treasurer should be aware of. This is a brief list of those numbers.

NATIONAL PTA IDENTIFICATION NUMBER

This identification number is assigned by National PTA and is unique to your local unit or council. It is available on all National PTA mailings directed to your PTA. It is also available on the Illinois PTA membership reports and can be obtained from your District/Region Director or the state office. This number may be requested along with your PTA name and address to correctly identify your PTA. For example, this is the number that goes on membership cards and the Reflections entry form.

FEIN/EIN

The Federal Employer Identification Number is assigned to each PTA by the Federal Government when the PTA is formed. The Illinois PTA office assists with this process and has a list of all active numbers should you need to verify your number. This number is required on all IRS forms. It should also be used on your PTA bank accounts since it is the equivalent of a social security number for an individual.

GROUP EXEMPTION NUMBER

The Illinois PTA four digit Group Exemption Number (GEN) is 9405. This number was assigned to Illinois PTA and all constituent organizations, including your PTA. This number is necessary for filling out a 990,990EZ or 990-N.

ILLINOIS SALES TAX EXEMPTION NUMBER

As a local unit of the Illinois PTA, your PTA is exempt from paying Illinois sales tax on items purchased for use by your PTA. The Illinois PTA provides a copy of the letter from the Illinois Department of Revenue giving you the Illinois PTA Sales Tax Exemption number: E9989-1281-06. This letter may be used by members of your PTA to make PTA purchases, not individual purchases. Be sure that this letter is used in accordance with state laws regarding sales tax. (See additional information regarding sales tax in this packet.)

INDIVIDUAL SOCIAL SECURITY NUMBERS

Individual Social Security Numbers should not be used to establish a PTA account. Based on the provisions of the Patriot Act, banking institutions are required to follow procedures for identity verification for anyone seeking to open an account by determining if applicants appear on terrorist lists, and maintaining certain records. The procedures are for all customers. Therefore, signatories on your PTA accounts can expect to be required to provide their social security number to the bank for identification purposes only. The number on the bank account and your bank statements should be the FEIN/EIN, not a social security number.