

Financial Matters

The president and treasurer, along with the other elected officers are **jointly responsible for the financial well-being of the individual PTA. Financial Matters, and the [National PTA Finance Guide](#) provide a comprehensive view of good financial management. All members of the Board of Directors should review this section.**

Introduction

The **Financial Matters** section of the *Kentucky PTA Leaders' Notebook for PTAs* has been written to be used as a companion to the [National PTA Finance Guide](#). **This financial section is not a "stand alone" publication.** A PTA that relies on Kentucky PTA's financial section only, without also using the National PTA's *Money Matters*, may be placing their PTA in jeopardy of violating federal laws and regulations, including those of the Internal Revenue Service.

The purpose of Kentucky PTA's *Financial Matters* is to provide a brief, general overview of the financial responsibility of the PTA, with specific information that applies to PTAs located in the Commonwealth of Kentucky. The Kentucky PTA hopes this section will be helpful to PTA presidents, treasurers and others with financial responsibilities and interests.

Presidents:

Please look over this financial material to become familiar with the financial and legal requirements of PTAs. Also look over the [National PTA's Finance Guide](#). Never forget that you are the CEO (chief executive officer) of your PTA, and do bear the brunt of the responsibility when financial matters are handled improperly. It is extremely important that you know and understand your financial responsibility to your PTA and its members.

It is imperative that both the **PTA President and the PTA Treasurer** have copies of Kentucky PTA's *Financial Matters* and [National PTA's Finance Guide](#). These resources are available online.

Treasurers:

Please look over this financial material to become familiar with the financial responsibility and legal requirements of PTAs and PTSAs. Also look over the [National PTA's Financial Matters](#).

Upon election

- Insist that the books be sent for a financial review at the end of the fiscal year and/or before a change of treasurer if mid-year. Refuse to take possession of the books unless they are officially reviewed or audited and you receive a copy of the report.
- Insist that PTA provide bonding insurance. Refuse to continue if there is no bonding insurance in place.
- Work with the outgoing treasurer to become familiar with the job responsibilities and resource available such as District, State and National PTA contacts and materials.
- Attend any training available.

June-July

- Arrange to have your name added as signatory on the bank account along with president and 1 other elected officers. Contact bank to find out what documentation the bank will need to change those names i.e. minutes of the election.
- Have a plan of work approved.

- Ask for copies of filed Forms 990 and any Schedule A and B forms. If 990N has been filed ask for the user name and password along with copies of confirmation of filing.
- Ask for previous years' budgets and financial reviews or audit reports.
- Attend the KY PTA Convention where there are treasurer specific workshops along with ones on taxes, fund raising, insurance and legal issues.

August-May

- Present annual report at first General membership meeting of the year. The financial review committee report should also be shared with the membership and filed with the annual report.
- Prepare financial reports for each board meeting (executive and board of managers). Those reports should include budget report with amounts for year to date expenses and income, monthly cash flow and a copy of bank reconciliations since last meeting.
- Prepare financial report for each General membership meeting.
- Process all deposits, ensuring that 2 people count the money at the same time and issue receipt to person giving you the money.
- Reimburse all expenses with appropriate documentation including receipts and necessary signatures. The expense should also be checked for budget inclusion, sufficient money available in budget and, if applicable, the standing rules.
- Pay all bills as authorized by the current adopted budget. All payments are to be made by check and never cash.
- Update the ledger system (manual or computerized) as transactions occur and reconcile bank statements monthly.
- Collect on any checks returned for insufficient funds (NSF). See sample letter at the end of this section.
- Propose budget amendments as they become necessary throughout the year: the amendments are to be presented to the executive board or board of managers, approved and then presented to the membership as a motion from the board.
- Prepare the 990 form and submit by deadline of November 15th. See IRS section for more information.
- Present preliminary annual report at the last meeting of the year.
- Prepare the annual report to be filed with the financial review at the first meeting of the year.
- Ensure the financial review committee has been formed before the end of the fiscal year.

IRS TAX RETURN

Due Nov. 15th of each Year

All PTAs/PTSAs in Kentucky must file a return.

THE PENSION PROTECTION ACT OF 2006 (PPA)

Public Disclosure of Information Relating to Unrelated Business Income Tax Returns Provisions of this Act require 990 to be part of public records.

IRS Launches New Electronic Filing System for Small Tax-Exempt Organizations

Before filing the PTA's current tax return, verify that the previous tax returns were filed. If a copy of the filing verification is not found in the materials given to the treasurer, it can be found by going to <http://www.irs.gov/app/ePostcard/>. Hint: The quickest and easiest way to perform the search is to enter the 9 digit EIN number and hit enter.

To file go to <http://epostcard.form990.org>

All tax forms are due to the IRS by Nov. 15 of each year. The form cannot be filed until the fiscal year has ended.

All PTAs/PTSAs must file Form 990, 990-EZ, or 990 N by November 15 of each year. See the *National PTA Quick Reference Guide Money Matters* for sample PTA tax returns.

- 990 N – If your gross receipts (all funds which were deposited in the PTA's/PTSA's bank account(s) and all other funds received, even if immediately paid out, before any expenses are paid) are normally under \$50,000 you must file a 990 N, electronic Notice (e-Postcard). Your gross receipts are considered *normally* to be under \$50,000 if your organization is
 - (1) up to a year old and has received \$75,000 or less during its first tax year;
 - (2) between one and three years old and averaged \$60,000 or less in gross receipts during each of its first two tax years; or
 - (3) three years old or more and averaged \$50,000 or less in gross receipts for the current and two preceding tax years.
- 990-EZ – If your gross receipts were less than \$200,000 and total assets are less than \$500,000, you must file Form 990-EZ and Schedules A and B*, unless your gross receipts are normally less than \$50,000.
- 990 – If you gross receipts were \$200,000 or more, or total assets are \$500,000 or more, you must file Form 990 and Schedules A and B.
- Unrelated Business Income – File Form 990 T with the appropriate 990 forms.
 - *Schedule B – Schedule of Contributions – is used to report significant donors. Generally, if you received \$5,000 or more from any one donor, you must complete Schedule B. Otherwise, check Box H on page one of Form 990-EZ to indicate that you are not required to file Schedule B.

How to Use

Filers will access and register to use the electronic filing system through the IRS Website, [IRS.gov](http://www.irs.gov) (<http://www.irs.gov>). The IRS has contracted with Urban Institute to facilitate these filings. This site can be accessed at <http://epostcard.form990.org/>. No special software is required, just internet access.

After registering as a user and creating a Login and Password, the filer will receive an e-mail with a link that will allow the filer to activate their Login ID and create the e-Postcard. Organizations will need the following items of information in order to file:

- Enter Parent Company Name – This is PTA Kentucky Congress (Group No. is 5110)
- Federal EIN (Employer identification number) of your PTA/PTSA
- Tax Year (July 1 through June 30 Fiscal Year)
- Legal Name (As it appears on the IRS database – should be the same as is on your bylaws)
- Mailing Address (use school address)
- Web address if one exists
- Name and address of a principal officer (generally president or treasurer)
- Confirmation that the organization's annual gross receipts are normally \$50,000 or less.

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Some of this information will be pre-populated on the Form 990-N from IRS records. At the completion of the e-mail filing you will receive a verification of filing receipt. Make copies of this receipt and keep with all important PTA records. Also, make sure you pass this information on to the new president and treasurer each year.

Be sure to send a copy of the receipt of verification for e-mail filing of 990N or a copy of the 990EZ/ 990 and Schedules A and B if required to: Kentucky PTA, 148 Consumer Lane, Frankfort, KY 40601.

Related Links

- Tax Information for Charities & Other Non-Profits at <http://www.irs.gov/eo> or <http://www.irs.gov/charities/index.html>.
- Subscribe to the Exempt Organization's EO Update at <http://www.irs.gov/charities/content/0%2C%2Cid+154838%2C00html>, a regular e-mail newsletter that highlights new information posted on the charities pages of the Web site.

PTAs/PTSAs should voluntarily provide their donors with this documentation and should keep a copy of the receipt for their own records.

Each PTA/PTSA must keep accurate, complete financial records. Kentucky PTA provides a Financial Review Form which should be completed at the end of the fiscal year and a copy sent to Kentucky PTA by July 15th of each year.

Treasurer's Duties

Make sure books have been reviewed before accepting them.

- **Utilize the following resources:**
 - [PTA Finance](#) from National PTA.
 - *Financial Matters* from Kentucky PTA, found in the *Leaders' Notebook for PTAs and PTSAs*. Your PTA's/PTSA's bylaws, standing rules and job descriptions.
The Kentucky PTA office, 148 Consumer Lane, Frankfort, KY 40601; phone (502) 226-6607; fax (502) 226-6610; E-mail kentuckypta@bellsouth.net
The Kentucky PTA website: kypta.org.
National PTA website: pta.org
The Kentucky PTA bulletin: *Our Children...Our Future*
The National PTA magazine: *Our Children*
- **Make sure new signature cards are on file with the bank.**
- **Give a treasurer's report at each executive board meeting and general meeting.**
- **Serve on the budget committee.** See sample budget in the *National PTA's Quick-Reference Guide Money Matters*.
- **Never sign a blank check and never issue a check made payable to "cash".**
- **Don't mingle PTA/PTSA and school funds.** The Attorney General's Office of the Commonwealth of Kentucky has written an opinion on funds of groups such as PTAs/PTSAs and booster clubs becoming part of a school's internal account. The opinion is that those funds should not become part of a school's internal account. The office of Legal Services of the Kentucky Department of Education has also rendered the same opinion. The Kentucky PTA agrees with these opinions and recommends that all PTA/PTSA funds be kept in bank accounts which are separate from school accounts and that these funds not be included in the school's accounting.
- **Pay all bills by check, never by cash.**
- **Count money in pairs.**
The treasurer, or another bonded officer, should be part of the money counting team at all times. When counting money, such as membership dues or returns from a fund raising project, there should always be two people present. A receipt for the amount should be signed by all persons involved in tallying the funds and copies should be made for all persons involved.
- **Deposit funds promptly.** Funds should be deposited as soon as possible after being received. Funds should never be left overnight at the school or in the home of the treasurer, president, or any other officer, board member, or school employee. If the event occurs after banking hours or on a weekend, a night depository should be used.

If the treasurer cannot make the deposit in a timely manner, deposit slips and instructions for making deposits during banking hours and at the night depository should be provided to another bonded officer.

- **Prepare and keep financial records.** It is imperative that the treasurer maintain accurate records. Without good records, persons involved with collecting and handling PTA and PTSA funds will not be protected should any questions arise. Standard accepted financial procedures must be used when keeping records so that proper financial reviews can be conducted. Records should be kept in a manner that will allow those with no knowledge of what occurred to be able to understand the financial reports. If, for example, there is an IRS audit of your PTA, it is doubtful if anyone who was involved with the finances of your PTA during the year(s) in question will be available to answer questions.
 - **ALWAYS OBTAIN A RECEIPT for every purchase or other payment made by the PTA/PTSA.**
 - **File a 990 N – electronic notice (e-postcard) if income is under \$50,000 and retain verification receipt for PTA/PTSA records. For income over \$50,000 FILE FORM 990 EZ or 990 and Schedule A and B when applicable. Kentucky PTA recommends that local units send tax forms by certified mail and keep the USPS receipt attached to the duplicate tax forms.**
 - **KEEP STATE AND NATIONAL, PLUS DISTRICT PORTIONS OF DUES SEPARATE FROM OTHER FUNDS and send dues payment to Kentucky PTA office by the 15th of each month.**

Fill out the dues form and include a check made payable to Kentucky PTA and a numbered list of members the payment covers. Mail to: Kentucky PTA, 148 Consumer Lane, Frankfort, KY 40601. District dues should be paid at the same time you pay state and national dues*. Request copies of all financial forms from the PTA/PTSA president.

- **Make sure the PTA/PTSA has insurance bonding for the treasurer and officers of the association.**
- **Make sure the president appoints a financial review committee at the end of the year even if the treasurer continues or is re-elected.** A financial review form must be filed with the Kentucky PTA office by August 15th each year. *Fifteenth (Jefferson County) and Sixteenth (Fayette County) Districts' dues are billed by the district treasurer.

PTA Insurance

KY PTA has always highly encouraged local PTAs to purchase liability and bonding insurance. Liability and bonding insurance **MUST** be purchased by local PTAs who are affiliated with the Kentucky PTA. Now with the 2013 edition of the KY Department of Education's "Red Book" states that all external support/booster organizations-this includes PTAs-are required to carry separate insurance for general liability. This proof of insurance coverage must be submitted to the principal prior to commencing any fundraising activities.

PTAs are not covered by the school's insurance. PTAs must obtain their own coverage.

PTA Group Insurance Provides the Following Type of Coverage:

- Liability insurance for PTA and PTSA activities (meetings and fund-raising events)
- Crime insurance inside/outside premises
- Property coverage
- Blanket bonding for **elected** officers
- Policy coverage is Oct. 1st – Sept. 30th

The policy provides coverage on personal property (for its actual cash value up to a limit of \$10,000) held in possession of an insured unit for a fund-raising sales program or other purposes. The deductible is \$250 per occurrence-property or money losses only.

This is just an outline of the coverage provided. The Kentucky PTA is the policyholder of the PTA group insurance. A copy of the policy is kept in the Kentucky PTA office. **Kentucky PTA is insured by The Underwriters Group.**

Each PTA or PTSA receives a renewal notice from the insurance company in September or October which should be returned to the company along with a check for the yearly premium. **PTAs/PTSAs must pay state and national membership dues by October 15 to participate in this insurance program.**

For an application or for further information e-mail kentuckypta@bellsouth.net or contact them at address: 148 Consumer Lane, Frankfort, KY 40601; phone (502) 226-6607; fax: (502) 226-6610;

\$337.00 is the 2016-2017 Fee for Coverage.

RED/YELLOW/GREEN LIGHTS- Risk Management Do's and Don'ts

- Skating Parties-
 - **RED LIGHT**
 - Please avoid sponsorship of this type of event.
- Playground Equipment
 - **RED LIGHT**
 - Erection/Installation by PTA members as volunteer project.
 - Any activity which voids the manufacturer's warranty.

- Equipment placed where non enrolled kids are attracted to it.
- Failure to maintain equipment once installed.
- Hire a contractor without checking insurance coverage.

- **YELLOW LIGHT**

- Hiring contractor to install playground equipment (with Certificate of Insurance)

- **GREEN LIGHT**

- Raise funds and donate to the school to purchase and maintain playground equipment

- Money Handling Procedures

- **RED LIGHT**

- Monthly reports to President and account reconciliation are late.
- Bank accounts reconciled by person signing the checks.
- Same officer is treasurer more than two years in a row.
- President and Treasurer are the same.
- Signed 'blank' checks.

- **YELLOW LIGHT**

- Single signature (President or Treasurer) on checks over \$100

- **GREEN LIGHT**

- Bank account reconciled by someone not authorized to sign checks.
- Dual signatures (President and Treasurer) required on all checks over \$100.
- Triple receipts issued when receiving money (receipt book, president, party from whom money received).

- School Fairs

- **RED LIGHT**

- Hot Air Balloons
- Fireworks
- Tractor or trailer rides.
- Trampolines or other injury prone devices.
- Moonwalks

- Sponsorship of Sports Teams

- **RED LIGHT**

- Lack of midseason lapse of health insurance.
- No waiver/release from liability signed by parent or guardian.
- PTA reference on uniform
- No athletic accident participant insurance.

Recommendations for Protecting PTA Funds

1. Only elected officers of the PTA who are bonded should receive funds from the general membership or other officers and board members.
2. A pre-numbered (if possible) triplicate receipt book should be used for each transaction, clearly identifying the source of funds; one copy to be given to the PTA president; one copy given to the person from whom money is received; and the final copy to remain in the receipt book for the treasurer's records.
3. The checking account should be set up to require two signatures for checks. No check should be signed by the person receiving payment. (It is advised to have three check signors)
4. Require that bank statements be reconciled by someone not authorized to write checks on the account.
5. Require the treasurer to present a monthly financial report that includes the reconciliation of the previous month's bank statement.
6. PTA presidents should satisfy themselves as to the accuracy of the treasurer's report and recognize that any failure of the treasurer to provide financial reports or verifying documents should be cause for alarm.
7. PTA treasurers should realize that a phone call from the president or other officer is not sufficient authorization to disperse funds. Authorization must be in the budget and/or in an approved motion.
8. Persons making purchases on behalf of the PTA or PTSA should pay for the items themselves and present a sales receipt or invoice which includes the description and cost of the item involved. Reimbursement should be made by check from the PTA/PTSA account.
9. Use discretion in the selection of activities your PTA or PTSA will sponsor, avoiding those that are likely to cause accidents or injury.
10. When independent contractors or businesses are involved, be sure to obtain the appropriate Compensation insurance before signing the contract and before scheduling the event.
11. The use of a permission and release form is recommended for events held away from school premises.

PTA and Taxes

Federal Tax Information

PTAs and PTSAs in Kentucky are classified as non-profit tax exempt public charities by the Internal Revenue Service. Kentucky PTA is the holder of the 501(c)(3) tax exemption, which applies to all local PTAs/PTSAs in good standing. The group exemption number is provided annually to each PTA and PTSA in the letter of good standing sent to the president. Each PTA/PTSA-local, district and state-must have its own EIN (Employer Identification Number), which is on file in the Kentucky PTA office. This number must be used on all federal tax forms and tax correspondence. As a tax exempt public charity, your PTA/PTSA has several advantages. 1) You are exempt from paying federal and Kentucky income taxes, except for taxes owed on unrelated business income. 2) Both individuals and businesses may donate money or non-cash items to your PTA/PTSA and deduct the value of the gift from their income tax as a charitable donation. 3) Volunteers may deduct their “out of pocket expenses” incurred while providing volunteer services for your PTA/PTSA. Included in these deductions are mileage, at fourteen (14) cents per mile, for travel to and from the place where a person is volunteering; un-reimbursed costs relating to a person’s volunteer work (e.g., a long distance phone call to the Kentucky or National PTA for information); and the costs of child care incurred to enable a person to volunteer. The value of a person’s time is not deductible.

If your PTA/PTSA is requested to supply a ‘letter of exemption’ to a potential donor, contact the Kentucky PTA office. The office staff will send you the necessary papers. Most individual PTAs/PTSAs do not have their own 501(c)(3) letter. However, businesses in need of this documentation can be supplied with a copy of Kentucky PTA’s letter which covers local PTA units under its umbrella.

Tax Returns to File

All PTAs/PTSAs must file. If your income is under \$50,000 you must file a 990 N, electronic Notice (e-Postcard) by November 15th of each year.

See the [National PTA Finance](#) for sample PTA tax returns. Forms 990-EZ or 990, Schedule A and Schedule B* will need to be filed if the following applies.

- “gross receipts” (all funds which were deposited in the PTA’s/PTSA’s bank account(s) and all other funds received, even if immediately paid out before any expenses are paid) of \$50,000 - \$200,000 and assets are less than \$500,000, file Form 990-EZ and 990 Schedule A and B*;
- “gross receipts” of \$200,000 or more, or assets of \$500,000 or more—file Form 990 and Schedule A and B*;
- unrelated business income—file Form 990T with the appropriate 990 Forms.

*Schedule B, “Schedule of Contributions” is used to report significant donors to 501(c) (3) organizations. Schedule B was created in order to “standardize” the information that was being reported to the IRS. There is a “Box H” on page 1 of Form 990-EZ that should be checked if the organization is not required to file Schedule B.

Kentucky Tax Information

Kentucky PTA is registered with the Kentucky Revenue Cabinet. All PTAs and PTSAs “in good standing”, including local units and districts which are chartered by the Kentucky PTA, receive the benefits of the Kentucky PTA’s registration. PTAs/PTSAs are exempt from paying and collecting Kentucky sales tax.

- When your PTA/PTSA makes a purchase or when you make a purchase for your PTA/PTSA, you must provide a tax exempt certificate and letter to the establishment with whom you are doing business. These may be obtained from the Kentucky PTA office or online at our Kentucky PTA [website](#).
- When your PTA/PTSA is engaged in selling, it is exempt from collecting and paying sales or use taxes. KRS Chapter 139.497 reads:

“Notwithstanding any other provisions of this chapter, the taxes imposed herein do not apply to sales by elementary or secondary schools or non-profit elementary or secondary school sponsored clubs and organizations or any non-profit elementary or secondary school affiliated groups, such as parent-teacher organizations and booster clubs whose membership may be composed of individuals other than students, provided the proceeds from such sales are used solely for the benefit of the elementary or secondary school or its students. Such nontaxable sales shall include sales resulting from agreements or contracts entered into with resident or nonresident organizations to participate in fund-raising campaigns for a percentage of the gross receipts where students act as agents or salesmen for the organizations by selling or taking orders for the sale of tangible personal property, and no one shall be required to pay sales or use taxes on such sales.”

This section of the Kentucky Revised Statutes was originally enacted in the mid-1980s, then repealed and reenacted in 1990.

Incorporation

The Kentucky PTA encourages all local PTA/PTSA units to file for incorporation. Please contact the Kentucky Secretary of State’s Office in Frankfort at 502-564-3490.

Charitable Gaming

The Commonwealth of Kentucky has charitable gaming laws that apply to all 501(c) (3) public charities like the PTA. These laws, rules and regulations cover all games of chance but not games of skill.

Games of chance include many activities common for PTA/PTSA fund raising events. Examples of games of chance are raffles, any games played with a wheel and bingo.

Games of skill also include many activities common for PTAs/PTSAs. Examples of games of skill are guessing the amount of beans or other items in a jar, shooting basketballs through a hoop and tossing beanbags into a circle.

If your PTA's/PTSA's fund raising events are going to include any games of chance, you must apply to the Department of Charitable Gaming for either a charitable gaming exemption acknowledgement or a charitable gaming license. Allow at least sixty (60) days for approval of the exemption or license.

Note: You must have been a PTA or PTSA a minimum of three years before applying for an exemption.

It is illegal for your PTA or PTSA to conduct a game of chance without the proper Kentucky license or exemption.

Your PTA or PTSA is eligible for a charitable gaming exemption if it expects to gross \$25,000 or less for all charitable gaming activities within a calendar year. If you exceed the \$25,000 limit, you must apply for a charitable gaming license retroactively. At that time your PTA/PTSA must pay the charitable gaming fees necessary to become a licensed charitable association. To apply for a charitable gaming exemption or a license or for more information, contact:

Department of Charitable Gaming
132 Brighton Park Boulevard
Frankfort, KY 40602-3714
502-573-5528 or 800-729-5672
www.dcg.ky.gov

Information for your PTA or PTSA to consider before deciding whether or not to engage in charitable gaming:

Record Keeping: If your PTA/PTSA engages in charitable gaming (any game of chance), either with an exemption or a license, a detailed and separate record must be kept of each charitable gaming activity. For example, if you have a game of chance at your fall

festival such as a wheel game, you must keep the financial records separately, so you can record exactly how much money the charitable gaming activity took in. If you use a ticket system, where the students buy groups of tickets and use the tickets to pay at each event, the tickets from that event cannot be co-mingled with the tickets from other events. They must be kept separately and tallied separately. If you have a raffle, the financial records must also be kept separately. The financial records, the ticket stubs and all unsold tickets must be kept for three years. Games like bingo have their own special rules. If you are a "charitable gaming establishment" (expect to take in \$25,000 or more), there are additional record keeping requirements including expenses, that must be kept separately from your PTA's/PTSA's other activities.

Exemption or License Disclosure Requirements

If your PTA/PTSA engages in charitable gaming (any game of chance), there are disclosure requirements that you must follow. For example, if your PTA/PTSA has a game of chance at your carnival, and your PTA/PTSA has a charitable gaming exemption, your exemption number must be available in case anyone asks for it. If you are a licensed charitable gaming establishment (expect to take in \$25,000 or more), your license must be prominently displayed, and the chairperson must be on the premises the entire time the charitable gaming is being conducted. If your PTA/PTSA has a raffle, your exemption number or your license number must be on the tickets. There are also many other requirements for a raffle.

Education: If you're PTA or PTSA is considering charitable gaming, it is highly recommended that you investigate the legal requirements very thoroughly. Study the rules and regulations. Take a class offered by the Department of Charitable Gaming. Then, after you have studied and investigated the requirements, make your decision.

Important: Kentucky law requires exempt organizations to file a yearly financial disclosure report on a form to be provided by the Department of Charitable Gaming on or before December 31 of each year. The law requires deposit of charitable gaming receipts into one (1) charitable gaming checking account which must be maintained at a bank located in Kentucky. Checks must be imprinted with the words "charitable gaming account", and the association's license number or exemption number must appear on the check.

All funds raised through charitable gaming activities (activity involving a for-profit business or a game of chance or gambling) may be subject to taxation.

Legal Issues

All local PTAs and PTA districts in Kentucky are part of the Kentucky PTA (Kentucky Congress of Parents and Teachers, Inc.). All are tax exempt under Internal Revenue code 501(c)(3) under the Kentucky PTA's non-profit tax exemption which is a group exemption. All must follow the laws of the land—the regulations of the federal and state government—and the laws of the organization—the bylaws, standing rules, parliamentary authority of *Robert's Rules of Order Newly Revised*, and all approved motions. There is a "hierarchy of laws" (which takes precedence over others) as shown in the following list:

Laws of the Land

- Federal Regulations
 - Internal Revenue Service (IRS)
- State Laws/Regulations
 - Nonprofit Regulations
 - Corporation Codes/Regulations
 - Commonwealth Attorney's Office
 - Division of Charitable Gaming (Justice Department)
 - Kentucky Revenue Cabinet
 - Department of Employment

Laws of the Organization

- Articles of Incorporation (contact the Kentucky PTA for more information)
- Bylaws (including all pounded/signed (#) articles)
- Standing Rules
- Parliamentary Authority (*Robert's Rules of Order Newly Revised*)
- Approved Motions

Procedures

- Written and Unwritten
- Tradition/Historical

These Laws Apply to Everyone:

It is important to understand that these are not just laws, rules and regulations for PTAs, but for all public charities. All groups and organizations that raise funds for any reason and from any source, and that do not pay income taxes as a taxable entity, must follow all of these laws, rules and regulations. This includes all parent associations that are not affiliated with the Kentucky PTA as well. (Please note that taxable businesses and corporations have to follow most of the same laws.)

Responsibilities of Officers and Board of Directors

(This includes all PTA and PTSA officers and board members at every level—local, district, state and national.)

- **Duty of Care:** There must be a level of competence that is the same as the level expected in a for-profit entity. For example, the minutes of a PTA/PTSA are a legal document with no less importance than the minutes of a multi-million dollar corporation.
- **Duty of Loyalty:** There must be undivided allegiance to the organization. Each board member must make sure there is no conflict of interest or appearance of a conflict. If there is the board member should resign or take a leave of absence.

Conflict of Interest Policy

Members of the _____ PTA/PTSA serve in a fiduciary capacity and owe a duty of care and undivided loyalty to _____ PTA. Directors must conduct themselves with integrity and honesty and must act in the best interest of the PTA.

Directors may not use their relation to the ___ PTA for their own personal gain. Directors must avoid conflicts of interest between their duties to the PTA and their duties to other associations/organizations or their own professional or personal interests. Full disclosure by a director of any actual or potential conflict is required by the standard of good faith. A conflict of interest exists when a director participates in deliberation or resolution of an issue important to the ___ PTA while having other professional, business, or volunteer responsibilities outside the ___ PTA that could predispose or bias the director to a particular view or goal.

- **Duty of Obedience:** Board members must be faithful to the Vision, Values, Mission, and Purposes of PTA. This is a public trust, a very important public trust. Seventy-one percent of the people trust the PTA, and we must make sure they continue to trust us by being careful that the PTA does not deviate from its vision, mission and Purposes.
- **No Private Inurement:** No part of the net earnings of the association may inure to the benefit of or be distributed to its members. This inurement prohibition means that PTAs/PTSAs cannot pay more than market value for goods or services to an insider (someone in a decision-making capacity). All 501(c)(3) entities are nonprofit and are devoted to charitable purposes. Profits (or reserves) may not be distributed to its members.
- **Political Activity:** No PTA or PTSA may participate in, support, or oppose any candidate for public office, including school board members. No PTA or PTSA board member may act in a manner that could give the appearance that the PTA or PTSA supports or opposes any candidate or a political party.

PTA Fundraising

Spending of PTA Funds

The primary emphasis in PTA is the promotion of the PTA and not on fundraising. PTA funds are always to be used to further a PTA's educational purpose and raised in a manner that promotes that purpose. The real working capital of a PTA lies in its members, not in its treasury. Fundraising is undertaken to provide funds for the PTA's planned and budgeted activities. Fundraisers are not conducted simply to raise money for which no use has been planned or budgeted. For most PTAs the best solution is a single money-raising project. One well planned event, along with the local portion of the dues restricted for membership incentives usually generates sufficient funds to finance a year's activities. Excessive fundraising places an undue emphasis on money, diverts the attention from the PTA's primary role as an advocacy group and may drive away members.

The framework for how a PTA should conduct its fundraising is determined by the policies of the National PTA and the government regulations for 501 (c) (3) tax-exempt organizations. The funds must be raised through activities that are substantially related to the education and charitable purposes of the PTA. It is important to note that it is not how the funds are spent but rather the manner by which the funds are raised that is of concern to the government.

When conducting a fund raising activity children should never be exploited or used as fundraisers. If the fund raising event is to reflect the high principals of the association, it will have educational, social or recreational value in itself.

Prior to undertaking any activity or event, a PTA should check with school, local and state authorities to determine whether the planned activity is prohibited by state or local law or by school policy or whether the PTA requires a special permit (i.e. gaming license).

National PTA suggests a 3-1 ratio when planning for the year. For every fundraising activity there should be at least 3 non-fundraising projects aimed at helping parents or children or advocating for school improvements.

Fundraising Top Ten

1. Have a specific goal for each fundraiser.
2. Choose a fundraising chairperson who is organized.
3. Check references and have a written contract if you are using a fundraising company.
4. Select a program with a package that fits the needs of your PTA.
5. Ensure the quality of the product or service that you are selecting. It should be a good value at a fair price.

6. Search for an activity that has educational value and promotes community involvement.
7. Involve as many volunteers as possible. Burnout is a definite possibility if the chair alone is doing the work.
8. Keep it short. Parents and the community may lose interest in long projects.
9. Don't overdo it. Parents can only afford so much and will soon feel like the PTA is only interested in their money not their involvement.
10. Have fun! If it is not fun, reevaluate the activity.

Remember: Children should never be exploited or used as fundraisers.

Expenditure of the funds raised

All funds raised by the PTA must be deposited in the PTA account and can only be spent with approval of the general membership. Payments for these funds must follow the Principals of PTA management.

Before approving proposals or requests for material aid to the school or the community, the PTA must determine if the expenditure is a public responsibility. **A PTA renders a greater service by working to secure adequate funding for programs that have an enduring benefit than by purchasing equipment for schools. PTAs should not contribute to the problem of inequities with a school district by excessive fundraising or by assuming public responsibilities.**

If the decision is made to purchase equipment for the school or items to be used on school property, all of the ramifications of such a decision should be explored. Generally, items donated to the school become the property of the school and are given as a gift or donation. Check with your school district for the proper procedures for doing so. The PTA should sign away any liabilities for ongoing maintenance, repairs or insurance issues with respect to that donation making the school or school district the responsible party.

FRYSC (Family Resource Youth Service Center) funds are required to be maintained in the school/district accounting system. All school activity fund accounts are subject to school district-wide audits. Therefore, any funds generated by FRYSC events, grants, etc. must never be deposited in a PTA/PTSA account.

The PTA Financial Review

Kentucky PTA bylaws require each local unit to send a financial review form to the Kentucky PTA office by July 15th of every year. Kentucky Revised Statutes requires a financial review form to be submitted to the school principal by July 15th of each year.

A financial review should be conducted immediately following the end of the PTA's/PTSA's fiscal year (June 30). A financial review involves following financial transactions through records to be sure that receipts have been properly accounted for and expenditures made as authorized in the minutes and in conformity with PTA bylaws, standing rules, and budget limitations.

Record-keeping books should be reviewed at least once a year. Books should also be reviewed if a financial officer resigns, before the new officer assumes his/her duties, and at any other time deemed necessary.

The process for selecting a financial review committee is in the PTA/PTSA bylaws, Article VII, Section 1. No one authorized to sign checks should serve on this committee. The financial review should be presented at the first general meeting of the year and must be officially adopted by the general membership.

The Purpose of a Financial Review

The purpose of a financial review is:

- To certify the accuracy of the books and records of the financial officer; and
- To assure the membership that the association's resources/funds are being managed in a businesslike manner within the regulations established for their use.

Preparation for a Financial Review

Financial records should be put in order for the reviewing process shortly before the end of the term of office. The outgoing treasurer cannot pay bills after the books are closed for a financial review or an audit. Upon assuming office, the incoming treasurer may deposit funds in the PTA/PTSA bank account. During the reviewing process it is recommended that expenditures within an adopted budget be limited to those of an emergency nature. A financial review should be completed as quickly as possible.

The treasurer shall deliver the following to the reviewers:

- a copy of the last financial review or audit report
- checkbook and canceled checks
- bank statements and deposit receipts
- treasurer's book or ledger
- the annual financial report
- itemized statements and receipts of bills paid
- check requests
- copies of board, executive committee and organization minutes, which would include an adopted budget, as well as any amendments that were approved during the year
- current bylaws and standing rules
- any other information requested by the auditor or financial review committee
- a copy of this page to allow financial review committee or auditor to follow correct *Financial Review Procedure*.

Financial Review Procedure

1. Start the review with the records posted after the last review. Check to see if the amount shown on the bank statement corresponds to the starting balance recorded in the checkbook and ledger.
2. Make a sample test of transactions. The size of this sample should be based on the size of the association. For example, verify all transactions over \$50 or \$100 or \$500 depending on the number of samples the criteria would give you. If discrepancies are found, the sample should be broadened to take in more transactions. At some point it may be deemed necessary to review all the transactions of a PTA. Some items to look for:
 - Monthly bank reconciliation
 - Unexplained reconciling items
 - Unusual endorsements on checks
 - A match of check endorsements to payees
 - Disbursements not supported by invoices or other documentation
 - Blank checks secured in a safe place
 - Deposit ticket dates timely with dates received by bank
 - Timelines of deposits based on known dates of events
 - Verify that all invoices paid by check and not cash.
3. Make certain that Kentucky and national portions of the membership dues have been kept separate from other receipts and forwarded immediately to Kentucky PTA.
4. Make certain that money collected for a specific purpose (special projects, Founders Day gift, scholarship funds, district dues, etc.) has been so disbursed.
5. Check treasurer's reports and annual report for accuracy.
6. After any errors have been corrected by the treasurer and the president is satisfied that the financial accounts are correct, draw a line across the ledger where the review concludes, and sign and date the ledger using a different color ink: "Examined and found correct. (name), (date)."
7. If all is in order, the reviewer or review committee should prepare a statement, and each member of the committee or the reviewer (auditor) should sign it.
8. A report must also be submitted by the review committee in the event that there are not adequate records available to conduct a proper accounting of the association's funds.
9. The financial review must be officially adopted by the association and must be included in a completed annual report covering the association's entire fiscal year. If the report reflects that additional information and verification is needed, it should be provided by the treasurer.
10. If the validity of the financial review is questioned at any time during the process, the Kentucky PTA may be contacted for information or assistance.

Required Financial Review Form 2015-2016

Submit Financial Review Form to Principal of your school

Per "Kentucky Department of Education Accounting Procedures Redbook" Regulations each PTA/PTSA must submit an annual financial report to the Principal of your school by July 15th.

Mail Financial Review Form to Kentucky PTA, 148 Consumer Lane, Frankfort, KY 40601

Kentucky PTA and local unit bylaws require all PTAs and PTSAs to file a Financial Review Form with Kentucky PTA by **July 15th** of each year to remain a "unit in good standing".

Financial Review Report Form for the Local PTA/PTSA

Name of PTA/PTSA _____ PTA District ___ County _____

EIN _____ - _____ This financial review is for the 2015-2016 fiscal PTA/PTSA year.

(For PTAs/PTSAs this will be July 1, 2015 through June 30, 2016. Check your bylaws if unsure.)

1. Beginning Balance (as of last date covered by last financial review) \$ _____

2. Receipts (total receipts from the beginning to the end of the period covered by this financial review) _____

3. Total Cash Available (add number 1 and number 2) _____

4. Disbursements (total disbursements from the beginning to the end of the period covered by this financial review) _____

5. Ending Balance (subtract number 4 from number 3) _____

6. Bank Statement Balance (for last month covered by this financial review) _____

7. Checks Outstanding _____

Total Checks Outstanding \$ _____

8. Deposits Outstanding _____

Total Deposits Outstanding \$ _____

9. Bank Account Balance (Subtract number 7 from number 6, Add Number 8) \$ _____

Date of financial review: _____

We have examined the books of _____ PTA/PTSA for the financial year 2015-2016 and find them to be: (Please choose one)

___ Correct ___ Substantially Correct ___ Incomplete ___ Incorrect

Substantially correct with the following adjustments: _____

Comments: _____

Review Committee: Consists of 3 people who do not have check signing authority (Optional: professional auditor)

Signatures: Financial Review Committee Chair (or professional auditor) _____

2. (Member) _____ 3. (Member) _____

This Financial Review information should be presented to the PTA/PTSA at its first general meeting after the completion of the financial review. Remember to mail this report to Kentucky PTA and keep copies for your records.

ALL PTAs/PTSAs MUST FILE FORM 990, 990EZ, or 990N with IRS by November 15th of each year.

See Part 4 – Financial Matters for more details on filing 990s

Required

Kentucky PTA and National PTA Dues Payment Form

Please make several copies of this form to use for dues payments throughout the year.

Dues payment dates: August 15th “Back to School” Dues: September 15th “Early Bird” Dues

October 15th “Required” Dues Payment: Pay Dues monthly thereafter.

This dues payment is for _____ (month).

At least one dues payment must be made by October 15th to be a unit in good standing.

You must be a unit in good standing to be eligible to participate in any PTA program (insurance, scholarships, Reflections, awards, etc.).

Complete this Form and Attach a Numbered List of the Names of Members Covered by this payment.

To be a Unit in *GOOD STANDING* All PTAs/PTSAs MUST:

- Send at least one National and Kentucky PTA dues payment (\$3.50 per member) to the Kentucky PTA office no later than October 15th
- Send district dues to district treasurer or Kentucky PTA office as required
- Send the PTA financial review form to the Kentucky PTA office and school principal by July 15th
- File 990 IRS Tax Form by Nov. 15 and mail a copy to the Kentucky PTA office
- Send bylaws to the Kentucky PTA office for approval every 5 years

Mail Completed Form and Check to:

**Kentucky PTA
148 Consumer Lane
Frankfort, KY 40601**

Make check payable to “Kentucky PTA”

Your check must include both state and national dues

State dues are \$1.25 per member

National Dues are \$2.25 per member

TOTAL dues are \$3.50 per member

You may also use this form for Founders Day, Scholarships, and Headquarters Support Fund Donations.

Date _____

Grades _____ to _____

County _____

PTA District _____

Name of PTA/PTSA _____

Name of President _____

Address _____

Street/P. O. Box

City

State

Zip

Telephone Day (____) _____ Evening/Cell (____) _____

E-mail _____

Name of Treasurer _____

Address _____

Street/P. O. Box

City

State

Zip

Telephone Day (____) _____ Evening/Cell (____) _____

E-mail _____

Note #1: It is the treasurer’s responsibility to send state and national membership dues to the Kentucky PTA office by the monthly dues dates. **Attach a numbered list with members’ names to this form.**

Note #2: **The membership chair must provide the treasurer with the list of members.**

Note #3: Membership cards are distributed at the beginning of the school year, based on a PTAs/PTSAs number of members the previous year. To receive more membership cards, a PTA/PTSA must submit dues payment and may request extra membership cards from Kentucky PTA. Email kentuckypta@bellsouth.net or call 502-226-6607. Please return all unused membership to the Kentucky PTA.

Note #4: State and national dues must be paid in a timely manner, that is by the next monthly due date after receipt.

Required District Dues Payment For Local PTAs and PTSAs

Use this Form to Send District Membership Dues.

Donations to your district's projects, such as scholarships (if applicable), may also be sent with this form.

Please Copy this Form. You May Need to Use it Several Times.

Deadline: Contact your district president or treasurer.

At least one dues payment of national and state dues must be made by October 15th to be a unit in good standing.

Mail Completed Form and Check to: Your District Treasurer or President

District Dues are _____ Per Member (See back of this page for district dues amounts)

Make Check Payable to: _____ District PTA

If no district leadership, send district dues payment to Kentucky PTA office when submitting state and national dues.

Complete this Form

Date _____ Members @ _____ \$ _____
 Grades _____ to _____ Donation to _____ District PTA _____
 County _____ Program _____
 PTA District _____ TOTAL Amount Enclosed _____

Name of PTA/PTSA _____

Name of President _____

Address _____

Street/P. O. Box City State Zip

Telephone: Day (_____) _____ Evening/Cell (_____) _____

E-mail address _____

Name of Treasurer _____

Address _____

Street/P. O. Box City State Zip

Telephone: Day (_____) _____ Evening/Cell (_____) _____

E-mail address _____

Contact Your District President for your district treasurer's name, address, telephone number and your district dues deadline date. See the back of this page for a list of districts/counties and dues amount.

If you need help with the name, address or phone number of your district president you may contact the Kentucky PTA office at: 148 Consumer Lane, Frankfort, KY 40601 phone 502-226-6607; fax 502-226-6610 or E-mail: kentuckypta@bellsouth.net

For District Use:

_____ District Treasurer

Phone (_____) _____

E-mail _____

**To be a Unit in *GOOD STANDING*
All PTAs/PTSAs MUST:**

- Send at least one national and Kentucky PTA state dues payment (\$3.50 per member) to the Kentucky PTA office no later than October 15th
- Send district dues to district treasurer or Kentucky PTA office as required
- Send the PTA financial review form to the Kentucky PTA office and school principal by July 15th
- File 990 IRS Tax Form by Nov. 15 and mail a copy to the Kentucky PTA office
- Send bylaws to the Kentucky PTA office for approval every 5 years



Districts of the Kentucky PTA

District	District Dues	Counties
1 st District	\$.15 per member	Ballard, Caldwell, Calloway, Carlisle, Crittenden, Fulton, Graves, Hickman, Livingston, Lyon, Marshall, McCracken and Trigg
4 th District	\$.25 per member	Hopkins, McLean, Muhlenberg, Union and Webster
5 th District	\$.15 per member	Butler, Christian, Logan and Todd
6 th District	\$.15 per member	Daviess, Hancock, Henderson and Ohio
7 th District	\$.25 per member	Breckinridge, Grayson, Hardin and Meade
8 th District	\$.25 per member	Allen, Edmonson, Simpson and Warren
9 th District	\$.20 per member	Barren, Hart, Metcalf and Monroe
11 th District	\$.25 per member	Adair, Bullitt, Clinton, Cumberland, Green, LaRue, Marion, Nelson, Russell, Taylor and Washington
12 th District	\$.10 per member	Anderson, Franklin, Scott, Shelby, Spencer and Woodford
13 th District	\$.10 per member	Carroll, Henry, Oldham, Owen and Trimble
14 th District	\$.25 per member	Boone, Bracken, Campbell, Gallatin, Grant, Kenton, Pendleton, and Robertson
15 th District	\$.20 per member	Jefferson County (billed by 15 th District PTA)
16 th District	\$.25 per member	Fayette County
18 th District	\$.15 per member	Bath, Bourbon, Clark, Fleming, Harrison, Mason, Montgomery, and Nicholas and Rowan
19 th District	\$.15 per member	Boyle, Garrard, Jessamine, Madison and Mercer
20 th District	\$.20 per member	Casey, Lincoln, Pulaski, Rockcastle and Wayne
21 st District	\$.25 per member	Bell, Clay, Harlan, Knox, Laurel, McCreary and Whitley
23 rd District	\$.15 per member	Estill, Jackson, Lee, Menifee, Owsley, Powell and Wolfe
24 th District	\$.15 per member	Breathitt, Leslie, Letcher, Knott and Perry
26 th District	\$.25 per member	Boyd, Carter, Elliott, Greenup, Lawrence and Lewis
27 th District	\$.25 per member	Floyd, Johnson, Magoffin, Martin, Morgan and Pike

REQUEST/AUTHORIZATION FOR PAYMENT

To be completed by Treasurer:

Check # _____

Check Date _____

Amount Paid _____

Account _____

____ ALL ORIGINAL RECEIPTS/ DOCUMENTATION ATTACHED

Check Paid To _____

Address _____

(City)

(State)

(zip code)

Phone Number _____

PURPOSE OF PAYMENT

1. _____ \$ _____

2. _____ \$ _____

3. _____ \$ _____

4. _____ \$ _____

5. _____ \$ _____

TOTAL TO BE PAID \$ _____

REQUESTED BY: _____ POSITION _____

DATE _____

REVIEWED/APPROVED BY: _____ PTA PRESIDENT

DATE _____

Date Processed and Check Written _____ Treasurer Initials _____

Mailed: _____ Handed to Payee _____

Deposit Summary Form

Date of Deposit _____

Total Amount of Deposit _____

BUDGET CATEGORY AND AMOUNT

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

Prepared by: _____ Treasurer

Funds Received Form

DATE: _____ ACTIVITY: _____

BUDGET LINE ITEM: _____

FUNDS RECEIVED

COINS: \$ _____

CHECKS:

CURRENCY:

\$100 \$ _____

\$50 \$ _____

\$20 \$ _____

\$10 \$ _____

\$5 \$ _____

\$1 \$ _____

	\$	
	\$	
	\$	
	\$	
	\$	
	\$	
	\$	
	\$	
	\$	
	\$	
	\$	
	\$	

TOTAL CURRENCY & COINS: \$ _____

TOTAL CHECKS: \$ _____

TOTAL FUNDS RECEIVED: \$ _____

The undersigned certify that the funds shown above were received for PTA activities and properly accounted for in accordance with PTA bylaws and standing rules.

Signature of Counter _____ Date _____

Signature of Counter _____ Date _____

FOR TREASURER'S USE ONLY

AMOUNT RECEIVED: _____ Date _____

DATE DEPOSITED: _____

BUDGET ITEM(S) CREDITED: _____

Treasurer's Signature: _____

Insufficient Funds Letter

Your Name

_PTA/PTSA

[Street Address]

[City, ST ZIP Code]

[phone number]

[email]

[Date]

[Recipient Name]

[Title]

[Company Name]

[Street Address]

[City, ST ZIP Code]

Dear [Recipient Name]:

This is to inform you that the following check was returned to us due to insufficient funds:

Check number [number]

Dated [date]

Payable to [Name]

In the amount of \$[amount]

We request that you replace this check with a cash or money order payment immediately.

Unless we receive good funds for said amount within **[number]** days, we will begin appropriate legal action.

Thank you for your prompt attention to this matter.

Sincerely,

Your Name

[Title]

Certified mail, return receipt requested

