



Littleton Public Schools

PTO

Treasurer's Handbook

2016–2017

Treasurer's Handbook for Littleton Public Schools PTOs

Summary:

What Treasurers need to do:

- *Keep PTO books, present money in/out on a regular basis to your PTO.*
- *Provide annual financial information to the PPC in August and pay your share of tax preparer's bill so that the federal tax return that includes your school can be filed.*
- *Make sure PTO President signs Conflict of Interest Statement each year by October 1st.*
- *Make sure current copy of by-laws is on file with the PPC.*
- *Prepare local sales tax returns - when required (see page 4).*

What Treasurers should seriously consider doing:

- *There are several suggestions on page 8 for ways to handle cash, credit cards, and check/balances that protect your PTO and you. Please consider them carefully.*
- *At the least, have an informal audit each year as a protection.*
- *Share bank account statements with PTO President (as a protection to you) monthly.*

The IRS and the Relationship between PPC and Individual PTOs

The PPC has always served as a voluntary support organization. It exists to transmit information of wide interest from the district to volunteers and to act as a forum for PTOs to gather and share information among each other. The PPC recognizes that each school has an individual culture determined by the population they serve, history of the organization, and volunteers available. PPC does not make mandates to individual PTOs except in cases absolutely necessary in order to retain our group tax exempt status. These requirements are listed below.

As a result of our non-profit status, the PPC files two 990 non-profit tax returns with the IRS: one as the parent organization (a 509(a)(3) organization we pay the accountant and handle LPS Scholarship money), and one consolidated form for the group of individual schools (a 501(c)(3) organization that includes your PTO). In addition, the PPC annually registers and files financial information with the Colorado Secretary of State.

The PPC obtained *federal* tax exempt status for each individual school's PTO as a subordinate organization under the parent PPC. Donations made to your organization may be considered a charitable deduction on the donor's tax return. (Donors should always check with their tax preparer regarding charitable deductions.)

Each school's PTO retains the right to separate from the parent organization and file the federal 990 form and register with the Secretary of State independently. In the event that your school wishes to pursue this option, please notify PPC by September 1st of each school year.

Mandatory Requirements to Remain Part of the PPC Tax Filings

PPC Conflict of Interest Statement. In order to maintain tax exempt status, the IRS mandates the oversight of each organization and their handling of its finances by the parent organization. This includes the assurance that PTOs do not engage in particular behavior which would threaten our status. See IRS <http://www.irs.gov/pub/irs-pdf/p4221pc.pdf> . PPC has adopted particular conflict of interest language that discusses these issues which include excess benefit transaction. **Each year**, the President of the PTO must affirm that they wish to continue participating under the group status, and sign the PPC conflict of interest statement by the October PPC meeting.

Warning: Prohibited activities which would threaten tax exempt status include: “allowing more than an insubstantial accrual of private benefit to individuals or organizations,” “directly or indirectly participating in or intervening in any political campaign on behalf of or in opposition to a candidate for public office,” “or engaging in substantial legislative activity.” See IRS link above.

Bylaws for Individual PTOs. The bylaws of a non-profit organization set the mission for the funds raised and distributed. Copies of bylaws must be sent to the PPC for its files. If changes are made, the new bylaws must be sent to the PPC.

Financial Record-Keeping. Each PTO must keep meticulous records of income and expenses, as all financial records are public information and may be requested at any time by a member of the community or media. These records need to have separate entries for items sold and sales tax collected - when required (*see page 4*).

In addition, the IRS requires that financial records used to file the 990 be available for three years after the filing of a particular tax return. The District requires that the records be kept for seven years.

Fiscal Year. The fiscal year *must* be run July 1st through June 30th. It is recommended that each PTO purchase and utilize bookkeeping software. This software should allow your files to be set up as a non-profit and you can use sub accounts on your accounts for easy tax completion. These systems are already set up on some software for easy use. **The IRS requires a cash-basis form of accounting.**

Important note: When setting up your bookkeeping, make sure that your records separate **Income** from **Expenses**. The Gross Revenue is required on IRS tax returns.

Another Important Note: Sadly, the local sales tax information is calculated on a calendar year, so the books need to be able to do that as well as the IRS fiscal year mentioned above. Remember, you need separate entries for items sold and sales tax collected - when required (*see page 4*).

Financial Information & Fee Due to PPC. In order for the PPC to file the IRS 990 and to register with the Secretary of State, the PPC must receive all financial materials by August 31st. This data is consolidated, sent to an accountant, and filed with the IRS. **PTOs which do not provide their data by August 31st will be released from our group filing and will need to file their 990 with the IRS independently.** The PPC will send each PTO an invoice in the early fall for its portion of the accountant's tax preparation fee. The invoice is payable upon receipt, as the PPC is unable to pay the accountant until each PTO pays its share.

Understanding Local Sales Tax

Sales Tax. Colorado law exempts PTOs and other school groups from collecting and remitting Colorado and special district (RTD/SCFD/FD) sales tax. Colorado still collects sales tax on behalf of a few city and county districts, unless those entities have added the exceptions to their ordinances. Local taxes collected by Colorado (which includes Columbine Valley) are **still required.** Colorado requires that this sales tax be collected/remitted on a quarterly or yearly basis. With this change in law, some PTOs may write the Colorado Department of Revenue requesting to become annual filer due to the new Sales Tax Exemption for School Groups. If an individual PTO is already an annual filer, ***your record keeping crosses over academic years because filing is due in mid-January for the previous calendar year.***

The following document citation is from the Colorado Department of Revenue Website, FYI Section: <http://www.revenue.state.co.us/fyi/pdf/sales86.pdf> . The Sales 86 section will be of help.

Schools in LPS fall into several jurisdictions: those in the City of Centennial, City of Littleton, or unincorporated Arapahoe County. All are in Arapahoe County. As of January 1, 2009, fundraising sales laws in the City of Centennial mimic the state, so no sales tax is required by them. The City of Littleton exempts charitable sales as long as they do not exceed 30 days. Regular PTO fundraising would not reach the 30-day limit, but if a PTO sponsors a store, there could be an issue. Please contact the City of Littleton in that case.

Arapahoe County *has* exempted PTO fundraising from sales tax. Douglas County and the City and County of Denver *have not*. This information is relevant because some PTOs hold fundraising events in those jurisdictions. This will add complication to your bookkeeping, so consider this when you plan your auction venues. See important information below:

Q: All of Littleton schools are in Arapahoe County. They will not have to remit State, SCFD, or city because both Littleton and Centennial have exemptions in place. Given this, should they still file for (or switch their sales tax license to) a charitable license since they will in fact be remitting some tax? Or should all the schools have a regular sales tax license and just 0 file for every column?

A: Chapters that already have a regular sales tax license should file and show the exempt amount on line 3b for RTD/SCFD/FD and state, resulting in zero net taxable for those two columns. Chapters that do not yet have a license should get the charitable license and file as above. Both regular and charitable licensees will file on the DR 0100 the DOR provides for their regular sales. They will both use DR 0100A for the silent auction in another jurisdiction. If schools are filing quarterly, they should write to the DOR requesting a change to yearly filing.

Q: Several of the schools hold once per year silent auction events in Douglas County. Should they apply for a special events license for the one night? How do they remit? Douglas County will not be on their regular tax remittance form.

A: For the events in Douglas County, the chapters should complete a separate Form DR 0100A with a note across the top saying “One Time Sale” so we don’t try to send you a Douglas County sales tax return every quarter. They will be liable for Douglas County sales tax if they exceed the annual 12 day/\$25K net proceeds thresholds. Those sales will be exempt from state and RTC/SCFD/FD. Note that the vendor fee for Douglas County is only $2\frac{1}{3}$ percent.

IMPORTANT NOTE: The treasurer will need to track taxable sales, and then remit the tax over the course of a *calendar* year rather than the school year. Keep careful records!

Summary

- Sales taxes have been repealed on fundraising – except Douglas County (Wildlife Experience), and City & County of Denver (Pinehurst).
- PTOs should apply for a Charitable Sales Tax Exemption License if you don’t already have one.
- Use Charitable Sales Tax Exemption License and give to vendors for all purchases – PTO should not pay sales taxes on items purchased – no matter if for use or for sale.

Examples of Taxable items for Arapahoe County Fundraising

Item Description	Not Taxable	Taxable	Taxable, but usually collected/paid by 3 rd party
Gift Wrap Sales			X
School Supplies			X
Scholastic Book Fairs			X
Grocery Gift Certificates	X		
Scrip Sales	X		
School Logo T-shirts/Sweatshirts		X	
School Address/Phone Directory		X	
School Yearbook/Flowers		X	
Silent Auction:			
Gift Certificates	X		
Class Baskets		X(1)	
Product Donated by Area Business		X(1)	

(1) Sales tax is computed on lesser of the fair market value or its purchase price. For example, if an item's fair market value is \$75 and it is sold for \$100, sales tax is computed on the \$75, its fair market value—the \$25 is considered a Charitable Contribution. However, if the same item is sold for \$50, sales tax is computed on the \$50.

~If tangible items total more than \$25,000 for silent auction held in Douglas County, PTO should collect and remit Douglas County tax on DR 0100A. Contact Douglas County tax office for details.

How to get a Charitable Sales Tax Exemption License Each PTO needs to apply for this individually. They need the following:

- the 501(c)(3) letter, available from the LPS Communications Department
- a recent reconciliation of your finances (like what you provide at the end of the year to PPC for Federal taxes)
- PTO by-laws
- Certificate of good standing (you can get an up-to-date one online at: <http://www.colorado.gov/cs/Satellite?c=Page&cid=1214992372945&pagename=Revenue%2FREVSLayout>) Each school uses our umbrella name (Littleton Public Schools Parent Teacher Organization) and our ID number for this is 19981151775. When you get to this page on the Secretary of State's office, you can fill in the number above, see that we are in good standing and then scroll down to where it says "Obtain a certificate," click on that and one pops up that you can print.
- Colorado Form DR0715 - Sales Tax Exemption application for Organizations (get it at: <http://www.colorado.gov/cs/Satellite?c=Page&cid=1214992372945&pagename=Revenue%2FREVSLayout>)
- Colorado Form DR0716 – This form provides a place for you to explain your charitable purpose further and is an attachment to the more important form above. (can get at: <http://www.colorado.gov/cs/Satellite?c=Page&cid=1214992372945&pagename=Revenue%2FREVSLayout>)

Bob Belin of Powell has already done this (before the DR0716 was also required) – see his helpful information below:

Powell did not have a state sales tax exempt license. As you mentioned, they were a 501(c)(3), but you need to apply separately from the Colorado State Tax Exemption. Here is what I did:

1. *Called the Colorado Department of Revenue (CDR) at (303) 238-7378 with Powell's Employer Identification Number (EIN) to have them verify that we did not have the exemption already. They (EINs) are requested by each organization (PTO), not the District. (Each school has a different EIN. This is not the same number as the umbrella number you use for the Certificate of Good Standing.)*
2. *Since Powell's EIN was not registered, I filled out a blank Colorado Form DR0715 downloaded from the CDR site above.*
3. *It took about three weeks to get.*
4. *I then scanned it and sent it to the executive board and committee chairs telling them to use it for tax exempt purchases for the school.*

Sales Tax Payment Forms can be found at:

<http://www.colorado.gov/cs/Satellite?c=Page&cid=1214992372238&pagename=Revenue%2FREVSLayout>

Recommendations for Practices for PTOs

The PPC understands that every school has different volunteer availability and cultures. The following information is provided as recommendation only and is based on years of information sharing at the PPC level.

We recommend that you print a copy of the Compliance Guide for 501(c)(3) charities, available at: <http://www.irs.gov/pub/irs-pdf/p4221pc.pdf> . It will provide in-depth information about our status as a non-profit.

Cash/Credit Card Procedures

The trust that your parents place in your PTO organization requires the highest standards of review and procedures when dealing with cash and credit card transactions. When parent volunteers handle sensitive information, the greatest care must be taken not only because of the money involved but also for the protection of the volunteer. By establishing written procedures and following them, if errors or worse happen, then the procedures provide some protections for the volunteer.

All PTOs should have a written policy on handling cash and credit cards. This policy should be distributed to any parent volunteer who handles these transactions and should be maintained in the procedures manual of the PTO.

This is *a sample policy* for credit card procedures:

- A. Credit card information should be stored in the school safe until processed.
- B. All transactions should be processed at the school. No credit card numbers should be taken from the school property.
- C. A crosscut shredder should be purchased and kept at the school for use when processing written credit card information.
- D. No credit card transactions should be processed unless **two designated parent PTO members are present.**
- E. A master list of each parent who has charges processed through the credit card system should be maintained. If the credit card system can produce the list, then that list will be sufficient.
- F. Once the charges have been processed, a statement should be printed showing the total charges processed. A copy of this list should be given to the Treasurer for reconciliation with the bank deposits from the credit card company.

Some schools require two people to count all cash at fundraisers and require two signatures for all checks over a certain amount (to be determined by the PTO in advance).

Checks and Balances

The following article on Checks and Balances addresses some very common situations that should be discussed by you Executive Board when establishing practices at your school. Please e-mail the PPC if you have any other suggestions or comments that may be helpful to other schools.

The article below is excerpted from *PTOtoday* – to view the full article, go to:

<http://ptotoday.com/1002embezzlement.html>

There are a variety of fiscal controls and checks that PTOs have implemented to stave off thievery. In addition, organizations are using insurance along with just plain common sense to make sure all the money they're raising for schools is going where it is intended.

Require Two Signatures on Every Check. No one person should have the authority to issue PTO checks. At the Northwest Elementary School PTO in Pflugerville, Texas, all checks must carry the signature of the treasurer and the signature of the PTO president. The policy helps the treasurer, says past president Joy Hall Bryant. She can tell people, No, I can't just write you a check.

Use Financial Request and Reimbursement Forms. Similarly, no PTO member should be reimbursed for out-of-pocket expenses, and no bills should be paid until a member fills out a form detailing what the money was used for and produces receipts. Even if we approve in a meeting that we're going to buy 15 microscopes, when the invoice comes in, somebody still has to fill out that cover form and put it with the invoice, says Bryant.

Implement Cash Controls. Don't put money in Tupperware containers. Don't let members take money home. And ideally, don't even leave cash at school overnight. These may seem like common sense rules, but they are routinely violated by tired volunteers who are closing up an evening event and just want to go home without counting up the money and making a bank deposit. Another hard-to-follow but simple rule is to never leave people alone with money. We always have two people present to receive cash, says Bryant. That means two people sit at a table to sell tickets. And two people count the money at the end of an event. After the money is counted, each person signs a Funds Received Form and puts the money in a locked box for the treasurer. At the Thomas Jefferson School PTO in North Arlington, N.J., only board members are allowed to count cash. If there's a money problem, it is the board members who are responsible, says President Kim Costello. Before we created that rule, there were way too many hands touching the money.

Use Tickets for Cash Events. To protect cash collected for admissions to events, it's wise to issue a ticket to every person who attends. That makes it easier to count how many people came through the door and to project how much cash should be collected. Volunteer consultant Helen Little suggests collecting tickets in a fishbowl and choosing one or several to win a door prize. That encourages everyone to turn in his or her tickets and yields an accurate count. There will rarely be an even match between tickets sold and tickets collected, because not everyone will turn his ticket in. However, if the cash has been collected accurately, there should be more money collected than tickets counted. If not, a red flag should go up.

Create a Finance Committee. Every group should have a finance committee that reviews all transactions monthly. Helen Little recommends this committee include the president and at least two board members. Each month, the committee should review bank statements for accuracy.

Conduct Annual Reviews. Reviews are essential to make sure all the numbers truly add up. At the Thomas Jefferson PTO, an audit committee reviews the books annually. Each year, the committee has at least three members who match every financial request form with every receipt. After the volunteer committee finishes its review, the books are then handed to a paid certified accountant who checks its work.

Write Down the Rules. Some PTOs have been hesitant to create or carry out cash controls because board members are nervous about offending volunteers. But clearly explaining policies and procedures in writing prevents people from feeling singled out or mistrusted. We have a one-page form on cash policies and procedures, says Bryant. We can easily hand it to a volunteer, so they won't feel insulted. Costello acknowledges that it was touchy when her group first required financial request forms for any reimbursements. Everybody said they weren't going to take anything, she recalls. But we stressed that we needed the paperwork for the audit committee. That made people feel more comfortable.

Get Bond Insurance. Even well-crafted cash controls and regular audits cannot protect every PTO from theft. That's where fidelity bonds come in. Fidelity bonds insure that if any money is stolen, it will be recovered. The most common bonds are \$10,000 bonds. If a PTO had a \$10,000 fidelity bond and \$10,000 were embezzled, the bond would ensure that all the money would be replaced. Fidelity bonds also come in \$25,000 and \$50,000 policies. And even larger bonds can be written for groups that handle greater amounts of cash. (Where to get bond insurance? AIM, which specializes in insuring associations, offers \$10,000 fidelity bonds for \$85 per year. The \$50,000 bonds cost \$126 per year.) AIMs policies cover anyone who is given custody of a parent group's money.

Other insurance companies insure specific PTO officers, such as presidents and treasurers. Some PTOs have balked at those policies, because they require intense background and credit checks. Occasionally, elected officers don't pass muster for bond insurance and are forced to resign. Companies that offer blanket policies for anyone who comes in contact with money, such as AIM, do not require background checks of any members. Those policies also ensure that if a new officer is appointed mid-year, the group doesn't have to apply for a new fidelity bond.

Above by Michelle Bates Deakin

PTOs and Banks

Several banks in town will waive monthly fees if you maintain a small minimum balance and receive bank statements electronically. This is a good idea both to save money and it makes for an easy way to share bank statements with the PTO President.

Do's and Don'ts of Fundraising for Other Non-Profit Purposes

Your organization may be asked from time to time to help with fundraising for causes other than educational support. The IRS guidelines regarding this are pretty clear – if the program operates with the mission statement of your PTO and supports education at your school, no further action is required.

School Fundraising. Funds can be contributed on a tax-deductible basis to your PTO and the funds sent to another 501(c)(3) organization under very specific rules. For example, if a social studies class wants to raise funds to save the rainforest during a rainforest unit that would be considered educational support. The funds can be deposited in the PTO bank accounts and sent to another 501(c)(3) organization with no further paperwork reporting for the PTO.

Special Projects. From time to time, a special, worthy cause will need addressing in the community. Fundraising for extraordinary health care for a sick child or staff that is of special concern to your community are some examples of issues that have been addressed by schools in our district. The guideline is that any project must benefit the community and not a specific individual. The PTO could utilize volunteers and raise funds for a special project to benefit an individual or family, but the funds must be held outside of the PTO bank account. Any written material for solicitations would have to have specific language required by the IRS stating that any funds raised would not be tax deductible.

Funds Must be Used for the Purpose Collected. Any time funds are raised for a specific project, the funds must be used entirely for that project. You can solicit funds for special programs like the Philanthropy Club, Art Club, 5th Grade Continuation or After Prom. For example, if the Art Club raises funds specifically for Art Club events, any funds used should be carried forward to the next year and used for the Art Club.

Funds Cannot Benefit Any One Individual. The IRS guidelines are very specific on whom the funds collected by a non-profit benefit. You cannot buy presents, for example, for any one individual. You cannot pay for someone's healthcare, give a graduation gift or provide large gift certificates as a thank you. A member of your organization can collect non-deductible donations and present them as a gift without violating this rule as long as the funds are not deposited in the PTO bank account. It wouldn't be appropriate to purchase a large gift for a teacher or volunteer. However, a small token of appreciation for the group is appropriate and would express the thanks of the community. Expressions of group sentiment can and do benefit the community, but they should be small in nature.

District collection of PTO Fees. The ONLY collection LPS can do on behalf of PTO is a voluntary donation line item that can be assigned through Infinite Campus. If the PTO chooses to ask the school to collect a donation through the school, the PTO just sign a binding contract with LPS. All donations are assessed a collection fee, and the PTO will be invoiced three times a year accordingly. LPS cannot develop individual fees on behalf of PTOs.

Miscellaneous Information

Donation Acknowledgement

For any donation of cash or property, the PTO should provide the donor with a written acknowledgement. Be aware that written acknowledgement is mandatory for all donations of \$250 or more. The IRS can disallow a taxpayer's contribution deduction if he/she does not have substantiation in writing from your organization. In the case of a non-cash gift, you are required to describe, but not state a valuation of the property. Valuation of the property is the responsibility of the donor. A separate federal tax reporting law applies to a **“quid pro quo contribution.”** This is a contribution made partly as a donation and partly for goods or services provided back to the donor by the PTO. Examples are the donor's purchase of a \$50 concert ticket for \$100, or the purchase for \$80 of an auction item with a fair market value of \$20. In any case where the **donor's total payment exceeds \$75 even if the tax-deductible portion is less than \$75, a written disclosure statement must be given to the donor.**

The statement must:

(1) inform the donor that the deductible portion of the contribution is limited to the excess of the donation's value over any goods or services that were provided by the PTO; and (2) provide the donor with a good faith estimate of the value of the goods or services coming from the PTO.

See IRS Publication 1771 for detailed information on your responsibilities in Donor Acknowledgment. <http://www.irs.gov/pub/irs-pdf/p1771.pdf> . There are fines and penalties associated with your organization not following the IRS requirements on donor acknowledgement.

Bingo/Raffles or Other Games of Chance

Games of chance (not games of skill) may not be held unless the organization has a raffle license. To apply with the Colorado Secretary of State, the organization must be at least five years old (provable by dated bylaws). At registration, a booklet will be sent explaining procedures, please read this carefully. Holding an illegal raffle could result in a substantial fine and jail time. Any game of chance is illegal without a license, whether or not you charge money or whether or not the prize is donated. Apply to the Colorado Secretary of State Licensing and Enforcement Division. The licenses are good through December 31 of the year in which issued. You must turn in a full statement on each raffle or game. You must pay .3% of the gross proceeds on each project. You must check current laws as to prizes you can legally offer and the amount of cash and prizes especially concerning issuing a W-2G and tax withholdings. To hold an event, a Certified Games Manager must be present.

Student/Parent Contact Information

Local merchants are often willing to contribute merchandise and services for PTO fundraisers. Their donation can be recognized in PTO newsletters. Revealing student or parent contact information for merchant solicitation, in exchange for their contributions, is not advisable and may be a violation of privacy laws.

Independent Contractors

Please check the IRS link below for your PTO's responsibility in the event you hire independent contractors.

<http://www.irs.gov/pub/ire-pdf/fw9.pdf?portlet=3>

Helpful information if your PTO holds the charter for a Boy Scout Troop

Schools or school districts should not hold the charter for a scouting troop. A PTO may hold the charter for a Boy Scout Troop.

If a PTO holds a scouting charter, then the scouting troop becomes part of the PTO. Scouting troops are not a separate entity on their own. They become part of the activity of the sponsoring organization.

The PTO assumes responsibility for the Boy Scout troop's financial activity and must include it in the PTO's form 990.

The PTO may decide to allow the scouting troop to use the PTO's tax exempt number.

The PTO assumes responsibility for all activities and oversight related to scouting activity.

The Littleton Public Schools has liability insurance that covers volunteers and PTOs. However, this insurance does NOT extend to any organizations chartered by the PTO, such as the scouting troop. The scouting troop should carry insurance that covers its chartering organization, such as the PTO. Ask scouting leaders to provide you with a copy of the insurance policy if you are unsure.

Questions? Contact: Boy Scouts of America, Denver Area Council, 720-266-2145, www.denverboyscouts.org.

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