



PTO  
Treasurer's Handbook

## 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 PTO Presidents Council CPA according to the CPA's instructions and deadlines.
- Pay your PTO's share of the tax preparer's bill so that the federal tax return that includes your school can be filed.
- Make sure the PTO President signs a Conflict of Interest Statement each year by October 1st and that it is filed at the school and with the CPA.
- Make sure a current copy of by-laws is on file at the school and included in the Treasurer's archive with the CPA.
- Prepare local sales tax returns - when required
- Follow your PTO's bylaws.

## 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 school community 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)) and one consolidated form for the group of individual schools (a 501(c)(3) organization that includes your PTO).

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 the PPC's Certified Public Accountant 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 transactions.

**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 October 1.

**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 kept on file at the school and a digital file should be kept with other records in the CPA’s digital archives.

**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.

**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 1<sup>st</sup> through June 30<sup>th</sup>. 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:** 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.

**PTOs that do not provide their data to the CPA in the requested format by the CPA’s deadline will be released from our group filing and will need to file their 990 with the IRS independently.**

The CPA will send each PTO an invoice for its portion of the accountant’s tax preparation fee. The invoice is payable upon receipt.

## **All PTOs need to purchase Blanket Organization Fidelity Bonds to protect against theft**

Internal controls and procedures are the first line of defense in preventing theft of PTO funds. However, even well designed controls can fail and unforeseen circumstances of embezzlement and theft can arise. All PTOs need to purchase fidelity bonds as a last line of defense to protect against the theft of their funds. Fidelity bonds are a low cost form of commercial crime insurance that reimburse the bond holder for funds lost due to embezzlement and theft.

Fidelity bonds can be purchased as position bonds, named scheduled bonds, or blanket organization bonds. Position bonds cover losses from embezzlement by a specific named position in the organization. Similar to position bonds, named scheduled bonds cover losses from embezzlement by specifically named individuals. Blanket organization bonds cover losses from theft or embezzlement for the whole organization.

Position bonds and named scheduled bonds often have lower premiums when compared to blanket bonds but they provide narrower coverage because they only apply to specific individuals. Given the broad amount of participants involved in PTOs, theft or embezzlement can arise from a number of individuals. **All PTOs need to purchase blanket organization bonds.**

Blanket bonds can be purchased from multiple carriers and each PTO can shop different options if they would like. One affordable option is through AIM who offers blanket fidelity bonds ranging from \$10,000 to \$50,000 in coverage with premiums from \$100-\$140. These policies have a \$250 deductible that applies to claims. These policies can be easily purchased online through the AIM website <https://aim-companies.com/pto-insurance-program/>.

When purchasing fidelity bonds, each PTO must pay close attention to the individual policy requirements to insure potential claims will be covered. These requirements will often include conducting annual audits and monthly reconciliations. Additionally, claims involving theft or embezzlement must be reported to the police.

Please feel free to call Risk Management at 303-347-3576 or email [sbican@lps.k12.co.us](mailto:sbican@lps.k12.co.us) to reach out with any questions regarding bond coverage or potential claims.

## **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.

Schools in LPS fall into several jurisdictions: those in the City of Centennial, City of Littleton, or unincorporated Arapahoe County. Know the laws around local sales tax for your jurisdiction.

PTOs should apply for a Charitable Sales Tax Exemption License if you don't already have one.

## **Venmo**

Venmo and other fund transferring apps are discouraged as the accountability is more difficult. Contact the CPA for advice.

## PTO Self-Assessment Checklist

### General Matters

- Is your PTO operating independently of the school and have control of all monies collected?
- Does your PTO have a set of bylaws and Articles of Incorporation on file at the school and with the CPA?
- Does your PTO have Colorado Nonprofit status? Is the paperwork on file at the school and with the CPA?
- Does your PTO have its own state sales tax exemption number? Is the paperwork on file at the school and with the CPA?
- Does your PTO have its own local and state sales tax license?
- Is your PTO's Conflict of Interest statement signed and on file at the school and with the CPA?

### Accounting and Financial Matters

- Does your PTO have its own bank account with at least two signatures required on each check?
- Does your PTO's treasurer submit monthly and annual financial reporters, including balance sheets and income statements to the organization's membership on a regular basis? Are these reporters on file at the school?
- Are all donations made in compliance with Board Policy KCD, Gifts to Schools, with all checks made payable to the school?
- Are at least two volunteers required to work any kinds of sales booths?
- Is a final count of beginning cash, cash received, and ending cash performed and signed off on a tally sheet by at least two volunteers?
- Are all special tally sheets reconciled to the bank deposit?
- Are all receipts presented and accounted for, including mileage logs, before petty cash is replenished?

## PTO Independent Accounting Professional Assessment Checklist

### General Matters

- Is the PTO's IRS tax exemption determination letter on file with the school and the CPA?
- Is the PTO's articles of incorporation on file with the school and the CPA?
- Is a copy of the PTO's bylaws on file with the school and the CPA?

### Annual Requirements

- Has all information been submitted by the deadline to the CPA for the joint Form 990 return?
- Has the Conflict of Interest statement been signed by the deadline and filed with the school and the CPA?
- Has the annual report been filed with the Colorado Secretary of State?
- Has the annual charitable solicitor's donation license been updated with the state?

- Have annual donor contribution letters been mailed to contributors by January 31 of the ensuing year?
- Is the PTO's Colorado Bingo and Raffle license current?

### **Accounting and Financial Matters**

- Is a double-entry accounting program such as QuickBooks or Peachtree used to record all transactions of the PTO?
- Do all bank accounts require at least two signatures?
- Have all bank account signers been updated with the bank?
- Are all monthly bank reconciliations performed?
- Have the duties of signing checks and making bank transfers been segregated from the accounting duties?
- Have monthly financial statements been presented to the organization's governing body and members?

### **The PTO and scouting troops**

- Schools or school districts should not hold the charter for a scouting troop. A PTO may hold the charter for a scouting 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 scouting 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.
- 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](http://www.denverboyscouts.org).