

Treasurer Handbook

Making Every Child's



Potential A Reality

2010 - 2011

**Arkansas
PTA[®]**

everychild.onevoice.[®]

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Preface

The Treasurer's Handbook is published to help the officers and chairmen of the Parent Teacher Association (PTAs) and Parent Teacher Student Associations (PTSAs) carry out their responsibilities. Materials in this handbook and any Arkansas PTA Kit of Tools book should be reproduced and distributed to the appropriate officers, and board members for PTA use.

You may obtain additional copies by contacting the State PTA office.

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Deadline Quick Reference

- September 30th Early Bird Membership Deadline
- November 1st Initial Membership Dues Deadline
- November 15th 990/990EZ/990-N Form Due to IRS
- December 5th State Reflections Entries Due
- February 1st AR PTA Award Entries Due
- February 1st AR PTA Scholarship Entries Due
- March 1st Final Membership Dues Deadline
- June 16th New Officers List Due to State Office
- August 15th Internal Audit Due to State Office

* Dues may be submitted even if OMDR entry has not been completed

Unit in Good Standing Checklist

- ✓ Make sure Unit Bylaws are current. They must be updated every 3 years.
- ✓ Make sure Bond Insurance is current.
- ✓ Make sure yearly Internal Audit is current.
- ✓ Submit Initial and Final Membership Dues by deadline dates.

REMINDERS

- ❖ Order Life Membership pins 3 weeks before needed to assure they arrive on time.
- ❖ Beat the Deadline! Submit dues, awards, registrations etc., early to avoid postal delays.
- ❖ Plan to attend AR PTA Convention in Spring 2010 in Little Rock
- ❖ Send in your New Officers list as soon as elections are completed
- ❖ Plan to send New Officers to Summer Leadership Training. The “Kit of Tools” containing Officer/Board Handbooks and membership cards for the coming year are distributed at Summer Leadership.

The Parent Teacher Association

Membership is open to anyone who believes in the mission and purposes of Parent Teacher Association. Individual members may belong to any number of PTAs and pay dues in each. Every person who joins a local PTA automatically becomes a member of both the state and national PTAs.

Together we are a powerful voice for children. With your help, we can continue to work toward PTA's goal of a quality education and nurturing environment for every child.

PTA Vision

Making every child's potential a reality.

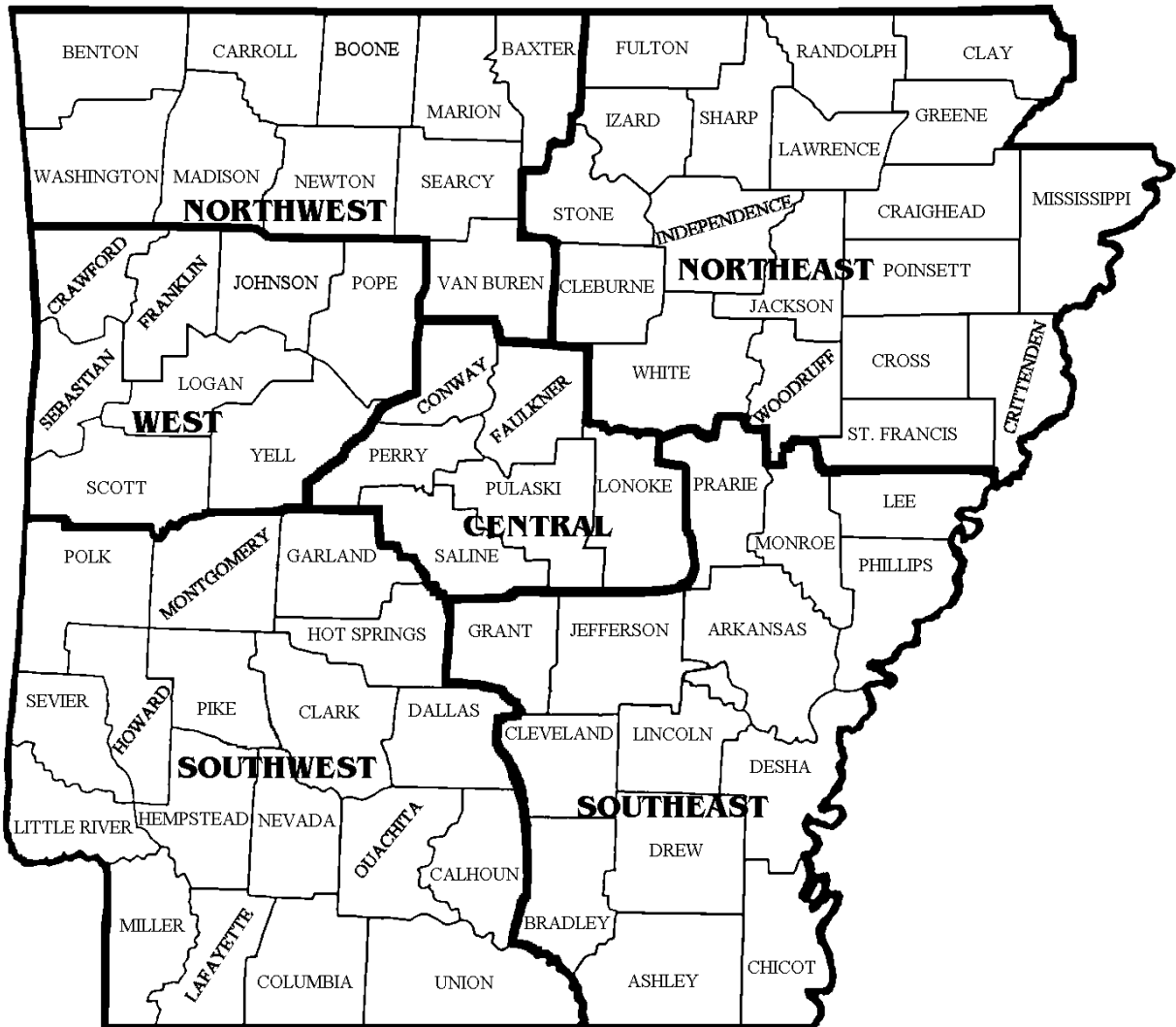
PTA Mission

- A powerful voice for all children,
- A relevant resource for families and communities, and
- A strong advocate for the education and well-being of every child.

PTA Purposes

- To promote the welfare of the children and youth in home, school, community, and place of worship.
- To raise the standards of home life.
- To secure adequate laws for the care and protection of children and youth.
- To bring into closer relation the home and the school, that parents and teachers may cooperate intelligently in the education of children and youth.
- To develop between educators and the general public such united efforts as will secure for all children and youth the highest advantages in physical, mental, social, and spiritual education.
- The Local Parent Teacher Association

The Six Regions of Arkansas PTA



Active Councils in Arkansas

Central	Little Rock North Little Rock Pulaski County	Northwest	Springdale Harrison
Southeast	Pine Bluff	West	Van Buren Fort Smith

To: All PTA Treasurers
From: Charles Warren,
Arkansas PTA Treasurer

Date: July 1, 2010

Congratulations! You've just been elected to the position of Treasurer for your PTA or you're starting another school year as Treasurer.

This office requires much of your time to ensure accuracy and timeliness of reporting the financial position of your PTA. You've been elected to this office and you were probably selected for a variety of reasons – mostly because you're a responsible person. Yes, you are! Here's a list of some key items to “take charge”.

- Get a copy of last year's Internal Audit Form – It's your starting point.
- Start the budget process – No one else will.
- Make sure your by laws are current – They are a value resource.
- Pay your bond insurance – It protects you and your PTA.
- Pay your PTA membership dues – The Membership Chair may forget.

All of these items are discussed in depth in the pages to follow.

Thank you for your willingness to serve in such an important role of PTA. This handbook is a resource for you to use in your capacity as Treasurer. It may not address every situation, but it does address some common issues facing PTA treasurers. It is written in a very authoritative style for your protection, so use it wisely.

If you are still feeling overwhelmed and out of sorts, don't worry. You have friends in high places. I'm the Arkansas PTA Treasurer and I'm always a phone call away. You can contact me at (479) 651-5121 or email me through the Arkansas PTA website at “arkansaspta.org”.

The Treasurer's Files

Take Possession of "The Treasurer's Files"

It would be best if the predecessor treasurer would wait until the PTA year end of June 30th to hand over the books. In this scenario, they would keep the PTA checkbook until June 30th and they would complete the Internal Audit Report form listed on the last page of this workbook. The new treasurer would then start converting everything on July 1st.

So many times, new officers are installed in May and the predecessor treasurer will bring all the records at the installation ceremony to give to the new treasurer as soon as they are sworn in. In this case, have the exiting treasurer complete the same Internal Audit Report form as of the date of the transfer. Then ask an "audit committee" to review the financial records and sign the form. The new treasurer can be on this "audit committee" and it may be useful when establishing their own system of keeping records.

The new treasurer will still have to complete the Internal Audit Report for June 30th and have an "audit committee" review the report and the records since the last report date. The "audit committee" will sign the report and both reports should be sent to the Arkansas PTA office in North Little Rock.

Please talk with the predecessor treasurer to determine who will be responsible for any potential income tax reporting. All too often, the exiting treasurer will assume the new treasurer will be responsible for the filing. At the same time, the new treasurer may assume this filing was done by the exiting treasurer. Don't assume, verify that any necessary income tax filing was done properly and timely.

Review "The Treasurer's Files"

Take some time and review the files and records from the predecessor Treasurer. If you have questions about anything, try to talk to them. If you think any records are missing, try to talk to them.

Here's a list of documents and items that should already be in the file. If they are missing, work with your PTA officers to secure them.

- The check book with checks and deposit slips.

- A receipt book.

- A copy of your PTA's bylaws.

- A copy of your PTA's standing rules (if they exist).

- A copy of the last internal audit report form (discussed above).

- A copy of the latest bank statement and bank reconciliation.

- A copy of permanent IRS tax information that includes:

 - The PTA's tax ID#, also know as Employer Identification Number (EIN).

 - The Group Exemption Number from Arkansas PTA.

 - Copies of Form 990 (if required) or Form 990-N (new in 2008).

More items will be added as you build current files during the school year. If one has not been created, start a “Treasurer’s Permanent File”. A list of documents and information to be maintained in this file is presented on the page before the internal audit report form.

Converting bank information

Work with the bank to secure the signatures of new officers authorized to sign checks. This may take multiple trips to the bank or all the new signers visiting the bank at the same time. Your bank will have certain procedures you will have to follow to get all the new authorized signers in the bank’s system.

Read Your PTA’s Bylaws

The bylaws are a wealth of information and you should take the time to read them carefully. Some of the key information will include the following:

The fiscal year of the PTA ends on June 30th.

The Treasurer position is an elected office and a member of your PTA’s board.

Fidelity bond insurance is required to be maintained by the PTA. This type of insurance covers the loss of PTA money. The treasurer should verify the coverage period of the current policy and ensure that the insurance is timely renewed.

Many times, procedures of handling money are detailed in the bylaws. The treasurer’s system of operations should be aligned with these details.

The membership fees to be collected by the PTA are specifically listed in the PTA bylaws. Verify that the membership fees that are actually being collected agree with the bylaws. If they don’t, your PTA needs to change the membership fees collected to agree to the bylaws until the bylaws are changed themselves. The treasurer will be responsible for submitting the payment of \$2.75 per member to Arkansas PTA by the required due dates.

The PTA Budget

Creating the Budget

One of the first responsibilities of a new treasurer or a treasurer starting a new school year is the creation of a PTA budget. The budget can be developed by the PTA officers or a budget committee, but one person has to start that process. That person is the treasurer.

Here are a few resources to use as you develop a PTA budget:

Review past receipts, disbursements and financial reports when estimating for a budget. Talk with committee chairs and officers about costs of new programs or fund-raisers.

Here are a few hints for developing a PTA budget:

Decide or verify what programs, projects and services the PTA wants to provide or support. Gather information to estimate the cost of these items.

Estimate the costs of operating or administrative expenses such as insurance, bank fees and leadership training.

Gather information on fund-raising programs and other sources of cash. These other sources of money could include school events that make money for the PTA such as silent auctions, carnivals and of course membership fees.

List all the source of funds and the uses of funds to determine ending cash position of the PTA. Make any necessary budget changes to get to the desired cash position of year end. This may mean cutting a program or service or adding another source of revenue.

A good rule of thumb for any PTA is the “3 to 1 Rule”. This rule states that for every fund-raising activity, there should be at least three non fund-raising projects aimed at promoting the purposes of PTA.

Review the budget with the officers or budget committee and determine a final budget.

Consider creating a tentative budget that is presented to the PTA board and membership at the last meeting of the school year. The purpose of this budget is to allow the treasurer to pay bills over the summer and prior to first PTA meeting of the next year when a new budget can be approved.

Approving the Budget

The budget should be presented to the board for consideration, discussion and approval. Once approved, the same budget should be presented to the PTA membership for consideration, discussion and approval.

Review the specifics of your PTA’s bylaws, but in general, the budget should be presented at the first general meeting of the year.

Amending the Budget

Review the specifics of your PTA’s bylaws, but in general, the budget can be formally amended at any regular PTA meeting or at a special meeting called for that purpose. Keep track of both the original budget and the amended budgets.

Items Over or Under Budget

Your PTA will rarely have actual records that meet each budget line item exactly. Typically, there are two scenarios and solutions to these types of issues.

One occurs when an expense line item slowly builds up to an amount that is over the approved budget. Maybe cost went up or maybe the budget was just too low. In this situation, it is best for the treasurer to request that the PTA board “approve” the line item as over budget on the first financial statement that the overage occurs. This is an “after the fact” approval, but it requires the PTA board to acknowledge the overage and determine if any savings in other line item expenses (or sources of revenue) can cover the overage without a large impact to the ending cash position.

Another situation occurs when a large purchase is requested for a line item expense that will knowingly create an overage. It may be that a large ticket item cost more than originally listed in the budget or a new opportunity for a program or service is too good to pass up. In this situation, it is best to request the PTA board to approve the overage before the check is written.

Developing a System of “Operations”

The fundamental tasks of a treasurer include depositing money into the PTA checking account and writing checks from the same PTA account. The accuracy and integrity of the bank account is very important!

No other organization should pass its money through the bank accounts of PTA. This includes money for or from the school or principal. Reimbursements of invoices or other costs are perfectly acceptable to be received or paid to the school, but the PTA should not collect funds for any school or allow the school to collect funds for the PTA. Also, money should not be “turned over” to the school or principal to spend at their discretion.

Collect, keep and organize all receipts, deposit slips, check requests, invoices and bank statements for the year end internal audit report.

In the following section the term “monies” refers to currency, coins, checks and any other form of legal tender that the PTA may receive.

Depositing Funds

If monies are not directly collected by the treasurer, two people should count the monies and both should sign the receipt verifying the amount. All monies collected by other PTA members should be given to the treasurer without delay.

Deposit all monies in the bank daily. Night deposit and 24 hour banking can and should be used as needed. Monies should never be kept at the treasurer’s home.

Monies should never be deposited into any personal account or any school activity account.

Monies should never be placed in the school building safe.

All checks collected for deposited should be endorsed as recommended below:

For Deposit Only
(Your School) PTA
Account # _____

Disbursing Funds

When the PTA incurs a financial obligation that has been approved by the board or membership (approved in the budget or approved by motion), it is the responsibility of the treasurer to pay that obligation promptly. All obligations (or liabilities) should be paid by check. Never use cash.

All financial disbursements should require two signatures. Only elected officers should have the authority to sign for the organization. If possible, have more than two officer's names on the bank signature cards. In this way, if one officer is unavailable, the PTA is not prevented from paying its obligations.

Never sign a blank check.

Check 21 is a banking term that resulted in the following procedures:

- Checks are not returned with the bank statement (only an image of the check).
- Checks will clear the bank the day they are deposited (no more lag time).

Presenting Financial Statements

The financial information that you collect and organize is property of the PTA organization. You should always be ready to share detailed information with any officer or member that requests it. Regarding financial information, we want the PTA units to be as "transparent" as possible.

The treasurer should submit a detailed report at each regular board meeting and at each regular membership meeting. You should keep detailed information handy so that you are prepared to answer all questions promptly.

The key component of the financial reports is accuracy. Presentation format and style are important, but not at the expense of accuracy. This written report should contain, but is not limited, to the following information:

- Period that the report covers.
- Date of preparation.
- Name of person preparing the report.

Each report should be accepted by the PTA board and PTA membership and “filed for audit”. These reports should be referred to the audit committee during the auditing process.

Work with Your Fellow PTA Leaders

The treasurer is going to be working with many aspects of the PTA activities. The treasurer writes checks for programs, service, event cost and membership. The treasurer makes deposits for fund-raisers, event collections and membership. Don't tell anyone, but being a PTA Treasurer is great training ground for a future PTA President.

Fund Raising Chair

Fund raising, while not the major purpose of the PTA, is usually the biggest source of revenue to pay for the program, projects and activities defined in the budget. The fund raising chair is responsible for organizing and collecting funds, but the treasurer is still responsible for the deposit of the funds. The fund raising chair is also responsible for approving and authorizing fund raising expenditures, but again, the treasurer is still responsible for writing and releasing the checks.

Be familiar with the ethics of fund-raising.

Membership Chair

As members join the PTA, the membership fees must not be held by the chairperson. Instead they must be given to the treasurer to deposit as soon as possible. The membership chair and the treasurer should frequently reconcile the membership list and collections to the deposits made for membership fees.

The treasurer should issue a receipt to the membership chair for fees turned over to the treasurer for deposit. The receipt safeguards both parties and provides an excellent audit trail enabling the audit committee to verify the proper administration of all membership fees.

Membership dues collected by the PTA unit should agree to the unit's bylaws. The dues must include a portion for Arkansas PTA dues (currently \$1.00 per member) and a portion for National PTA dues (currently \$1.75 per member). Both Arkansas PTA and National PTA dues are submitted with the membership form to Arkansas PTA. It is the treasurer's responsibility to ensure this payment is made properly and timely. A copy of the Membership Form is on page xx.

These state and national dues do not belong to the PTA unit and should be submitted to Arkansas PTA as soon as possible or no later than November 1st. Arkansas PTA and National PTA dues should not be held in PTA unit's bank account to accrue additional interest income.

The official membership count is determined by the numbers of members reported to Arkansas PTA on or before March 31st.

Internal Audit Reports

At the close of the fiscal year (June 30th), the treasurer should close the financial records and prepare an annual financial report covering the entire fiscal year (July 1st to June 30th) called the “Year End Report”. The Year End Report is used to prepare the Internal Audit Report for the fiscal year. Both reports are to be presented at the PTA’s annual meeting for approval from the membership.

The Year End Report and the Internal Audit Report should be kept in the treasurer’s permanent file. This report will also be used for the year end income tax return (Form 990 or Form 990EZ) if required.

The purpose of the internal audit is to certify the accuracy of the books and records of the PTA as maintained by the treasurer. It also verifies the cash balance of the PTA as of the date of the report. This report assures the membership that the PTA’s resources and funds are being managed in a businesslike manner with the regulation established for their use.

The Internal Audit Report is prepared by the treasurer and certified by an “audit committee”. The bylaws should give you guidance on the makeup of the audit committee. If is not specifically addressed in the bylaws, it is recommend that an odd number of members (at least three) that can be appointed or elected.

An audit committee should review the following information and documentation:

- A copy of the current bylaws.
- A copy of the previous Internal Audit Report.
- A copy of the approved budget.
- A copy of the Year End Report.
- The ledger or “books” maintained by the treasurer.
- The checkbook.
- All bank statements for the period.
- All cancelled checks (if not on the bank statement).
- All invoices and check requests.
- All deposit slips.
- All receipts from the receipt book.
- All reports presented by the treasurer throughout the year.
- All board and PTA minutes throughout the year.
- All membership reports.

The audit committee should review these documents and information to be satisfied with the accuracy of the Internal Audit Report. One member of the audit committee should complete and sign the Internal Audit Report. A copy is kept for the Treasurer's permanent file and the original is sent to Arkansas PTA.

The importance of the completion and submission of the Internal Audit Report is to ensure that your PTA can collect insurance proceeds for any fidelity bond insurance claim. The insurance company will ask Arkansas PTA if a current Internal Audit Report is on file in the Arkansas PTA office. The insurance company can deny a potential claim for money lost or stolen if this report is not with Arkansas PTA. This denial could happen even if your PTA has properly and timely paid the premium.

Don't miss out on recovering PTA funds lost or stolen because the PTA failed to submit the Internal Audit Report to Arkansas PTA. A copy of the report is listed on page xx.

IRS Rules and Regulations

Arkansas PTA is exempt from federal income tax. Specifically, Arkansas PTA is a charitable and educational organization that has been approved by the IRS for non profit status under the provisions of section 501(c)(3) of the Internal Revenue Code. Each local and council PTA that is in good standing with Arkansas PTA is listed as a non profit organization under the group exemption status of Arkansas PTA.

Certain restrictions that apply to 501(c)(3) entities must not be violated, including:

- PTAs must be organized and operated exclusively for charitable, educational or scientific purposes.
- PTA resources and funds cannot be used for private benefit of an officer, director or member.
- Upon dissolution, PTA assets must be distributed for one or more of those defined tax exempt purposes.
- PTAs cannot engage in a substantial amount of lobbying activity.
- PTAs cannot engage in any political activity, especially to support candidates for public office.

The IRS requires any 501(c)(3) organization that records more than \$25,000 in gross collections to complete and timely file a Form 990 or Form 990EZ. All PTAs have a year end of June 30th and therefore have a filing deadline of November 15th of the same year.

When calculating the gross collections of your PTA, do not include the Arkansas PTA and National PTA membership dues that were collected. These dues are not to be recorded as unit income and they are not a source of revenue to the local unit.

A new IRS requirement for 2008 and thereafter is the electronic filing for all 501(c)(3) organizations on a Form 990-N. This requirement is for all PTAs that do not already file a Form 990 or Form 990EZ and is also required to be filed by November 15th of each year, starting in 2008. Failure to file this electronic report for three consecutive years could result in the loss of the PTA's tax exempt status.

At the date of this handbook, the Form 990-N was in the process of being created by the IRS. The IRS states that the form will request the entities name, address, current officers and EIN. More information will be communicated to PTA officers as the information is received.

File all required IRS reports on time. Failure to do so could be costly to the PTA. If the PTA receives any correspondence from the IRS, the treasurer should research the issue and respond immediately. Keep all original IRS notices and copies of PTA responses in the Permanent File.

Unrelated Business Income Tax

If the PTA's sole source of labor for all fund-raising events is volunteers, the PTA will have no unrelated business income and this section can be disregarded.

If, however, a PTA ever pays anyone for services to assist it in a fund-raising event, this section should be reviewed carefully.

As a tax exempt organization, PTA revenues are not subject to federal income tax if the revenue is raised in a manner that is related to the PTA's tax exempt purpose. However, it is possible for some revenue to be subject to income taxation. When this occurs, the amount subject to taxation falls into the category of "unrelated business income".

A transaction or activity generally will be classified as yielding unrelated business income if it has all of the following three properties.

The activity provides income (but does not necessarily produce a profit) and the PTA takes an active role in the generation of the income.

The activity is conducted on a regular and continuous basis.

The activity is a fund-raising activity that is unrelated to the mission of the PTA.

Even if the proceeds are used to further the purposes of PTA, if the method of raising the funds is not related to the purposes of PTA, the revenue is deemed to be unrelated business income. In other words, fund-raising is not a related activity just because the net revenue is used to support PTA programs.

However, if the activity is conducted by the PTA and at least 85% of the labor is provided by PTA volunteers, the income is generally excluded from taxation (even if the three conditions above exist).

If the PTA's unrelated activity starts to rival its related activity (so that the unrelated activity is perceived to be dominant) the PTA may no longer be perceived as a charitable organization supporting itself with some unrelated business income. The IRS may, instead, view the PTA as a business with some charitable activities. At that point, the PTA would lose its tax exempt status.

Also, IRS regulations require non profit organizations to report unrelated business activities when gross receipts are at least \$1,000. The IRS requires to report and pay taxes on such gains by filing IRS Form 990-T. At this point, it may be best to solicit professional advice on filing any and all IRS forms.

Disclosure Statements

PTAs are required by the IRS to disclose rules to inform prospective donors about the extent to which their contributions are legally tax deductible.

Effective January 1, 2008, donors must obtain a disclosure (or receipt) from charitable organizations for contributions made in one day that exceed \$250. Canceled checks are no longer sufficient except if the total in one day is below \$250. Cash donations below \$250 will require a receipt to the donor to be tax deductible by the donor.

PTAs must be prepared to issue receipts as their disclosure statements. There is no formal format for the receipt and donor social security numbers are not required. At a minimum, the receipt must reflect the donor's name, date, dollar amount received or a description of the property received (the charitable organization is not required to value the property received). The receipt must have the PTA's name on it.

If a donor receives some value for the donation, only the portion in excess of the value is deemed a donation and only that amount should be reflected on the receipt. This receipt is a formal disclosure statement is should indicate the fair market value of any tangible benefit received in exchange for a contribution and the amount of the donation that is deductible as a charitable contribution.

If a PTA hold a fund-raising event that provides a meal or some tangible item in return for the purchase of a ticket, then the portion of the ticket that is tax deductible is the ticket price less the fair market value of the meal or item received. For example, if a chili supper ticket is sold for \$20 and the value of the meal is determined to be \$5, the purchaser is entitled to a \$15 charitable contribution deduction. The \$5 is not the cost to the PTA, but the value of a prepared and served meal allowing for a reasonable profit.

Record Keeping

To comply with IRS reporting requirements, complete records should be kept on all monies received and disbursed for three (3) year after the date the PTA's income tax return is filed. Arkansas PTA recommends all records be maintained for five (5) years to cover this requirement in the event a tax return is filed late.

US Postal Regulations

PTAs should exercise caution in using its non profit bulk mailing permit. If in doubt, it is best to show the bulk mail coordinator at the local post office a sample of what the PTA is intending to mail with its permit to make certain the material meets applicable postal regulations. Two main areas of concern are (1) misleading direct mail pieces and (2) allowing the permit to be used in a cooperative mailing with “for profit” business. Fines may be imposed if abuses are found.

Arkansas Sales Tax

Arkansas does not recognize non profit organizations (including any PTA) as exempt from paying sales tax on any purchases. No PTA in Arkansas has a “sales tax exemption number”. Sales tax should always be paid as part of the cost of a PTA purchase.

Sales tax returns are due on the 20th of the month following the close of the month. Most PTAs are on an annual filing basis and therefore their returns are due on January 20th for the previous calendar year.

Carefully communicate and document the responsibilities of reporting sales tax with any potential fund-raising vendor or organization. Determine if the PTA or the vendor is collecting and paying sales tax to the state of Arkansas. Realize that some “grocery” type purchases associated with a fund-raiser may pay a reduced rate of sales tax.

Arkansas Raffle Licenses

The state of Arkansas recently passed legislation to require a license for all raffles and bingo games conducted by a non profit organization. An application is posted on the website for the Arkansas Department of Revenue. Specifically,

Go to www.arkansas.gov/dfa/

Under the “DFA Notices” heading, click on

“Rules on Food, Bingo, and Mfg. Utilities”

Click on “Bingo Organization Application and Registration Form”

View the form and print a blank application

Complete the application and mail as instructed with \$100 (License Type A).

Please review the application and discuss with your PTA if any kind of raffle will be used during the school year. It is the recommendation of Arkansas PTA that all PTAs participating in any kind of raffle (defined as “selling of tickets to win a prize awarded through a random drawing”) pay the \$100 and obtain the license.

Permanent File Checklist

- A copy of the PTA's current bylaws.
- A copy of the PTA's current standing rules (if they exist).
- A copy of the all Year End Reports and all Internal Audit Reports.
- A copy of permanent IRS tax information that includes:
 - The PTA's tax ID#, also know as Employer Identification Number (EIN).
 - The Group Exemption Number from Arkansas PTA.
 - Copies of Form 990 (if required) or Form 990-N (new in 2008).
 - Copies of all IRS correspondence.
- Five years of the following:
 - Bank Statements
 - Bank Reconciliations
 - Approved Budgets

Current File Checklist

- The checkbook with checks and deposit slips
- The deposit slips with bank receipts
- A receipt book
- The initial approved budget
- Any amended budgets
- All financial report presented to the PTA
- A copy of all Membership Form sent to Arkansas PTA
- A copy of the Year End Report
- A copy of the Internal Audit Report