

# FINANCE FOR BOARD MEMBERS

All Board members need to be knowledgeable of the following financial responsibilities of the PTA.

**The Internal Revenue Service (IRS)** requires reporting by nonprofits on a range of governance issues that reach far beyond financial reporting, including Board member “fiduciary duty.” Fiduciary is defined as “a person to whom property or power is entrusted for the benefit of another.” Board members have three fundamental fiduciary duties: a duty of care, a duty of loyalty, and a duty of obedience.

- The duty of care means that the Board member actively attends and participates in Board meetings, is educated on the mission, purposes, and principles of the PTA, provides strategic direction, and oversees and participates in the day-to-day operations of the PTA.
- The duty of loyalty requires the Board member to operate in the interest of the local PTA and not use the position to further personal agenda.
- The duty of obedience requires the Board to know the state and federal laws and regulations that apply to PTA, including IRS regulations and guidance. Obedience requires a deep understanding of the operating documents such as the Bylaws, Standing Rules, and LAPTA Toolkit. Finally, obedience requires that the Board not act outside the scope of the PTA’s legal documents.

**Fiduciary responsibility** in a PTA means the Board members act as trustees of the PTA’s assets and must exercise due diligence to oversee that the organization is well-managed and that its financial situation remains sound. The Board verifies that all filing requirements and tax obligations are completed.

**The budget** creates the framework for program management and overall administrative decisions. An approved budget is always required for expenditures to be made and fundraisers to be conducted. The budget for the new year is presented and adopted by the membership at the first General Membership meeting of the year. The members always approve expenses and income via the budget, which can be amended as needed.

**Payments and reimbursements** are never made in cash and blank checks are never issued. All payments must relate to an approved budget item and have an Expense Form with a receipt attached. No other organization may pass its money through the PTA account, and money cannot be given to the school to spend at its discretion.

**All deposits or monies collected** are turned over to the Treasurer as soon as possible. Money is counted by at least two people at the same time, and both counters and the Treasurer each sign and keep a copy of the completed Deposit Form. The Treasurer may be one of the two counters.

**Current financial reports** with the actual vs. budget amounts are presented at Board of Director and General Membership meetings that covers the financials since the last meeting of that type. As the funds belong to the members, they have the right to access the financial reports presented at General Membership meetings.

**Each bank statement is reviewed and signed** by a person not authorized to sign on the bank account. The Secretary presents the result of this review at the Board meeting.



**A financial audit** occurs at the end of the fiscal year; when any authorized check signer is added or deleted on any bank account; or any time deemed necessary by the President or at least three members. The President motions to appoint the Financial Reconciliation Committee consisting of at least three members, who are not authorized signers, the current secretary, incoming Treasurer, nor be related by blood or marriage or reside in the same household as the authorized signers.

**Insurance** is strongly recommended by LAPTA for each local unit. Embezzlement (bond) policy covers people authorized to handle money and liability insurance covers losses through any fraudulent or dishonest acts. Insurance premiums are budgeted as an expense line. For these policies to apply, bank statements must be regularly reviewed by a non-signer and audit reports occur at least annually.