May 2013

PTA President and Treasurer,

Please read this entire notice. It includes pertinent information on tax laws that if overlooked may result in IRS fines. Even seasoned officers should take the time to read this entire letter in order to determine what actions to take.

Each year government regulations require the NCPTA to furnish the IRS with an up-to-date list of all PTA/PTSA units chartered under our group exemption number. This list includes contact information, filing status (less than or more than $50,000) and unit standing with NCPTA. Because we are accountable to the IRS, we require that you furnish the following two items to us annually:

- Names of 2013-14 local unit or council president and treasurer along with contact details (mailing address, telephone number and e-mail address)
- Annual Financial Review (for 2012-13 school year) — **by August 31, online instruction attached**

All chartered PTAs will be required to submit this information to NCPTA by the dates indicated above. NCPTA will do its best to assist all local units and councils to comply with these requirements; however it is **your** responsibility to get this information to us.

Additionally, all non-profits, including those who grossed less than $50,000 (formerly $25,000), are required to file returns yearly. This law affects **all PTA's regardless of size.**

Please note the following updates regarding the requirements for filing Forms 990 and 990-EZ: As of the 2010 tax year, for returns filed in 2011 or later, PTAs with an annual gross income of **more than $50,000** (formerly $25,000) must file Form 990 and Schedule A. If a PTA's gross receipts **are less than $200,000 and total assets are less than $500,000**, the PTA may file Form 990-EZ instead of Form 990. If gross receipts are **$50,000 or less**, the PTA must electronically submit Form 990-N, also known as the e-Postcard. Please see the attached instruction sheet for completing the 990-N (e-postcard). The return for the tax year that covers July 1, 2012-June 30, 2013 must be filed by November 15, 2013.

In closing, please remember that we are here to assist you so do not hesitate to contact our office. We will do our best to answer your questions and to help you remain in compliance with NCPTA and the IRS. We can be reached at office@ncpta.org.

NCPTA Financial Review Information & Instructions

NCPTA requires each local PTA unit and council to file an online Financial Review Report by August 31 of each year. A simple online form guides PTA leaders through a comprehensive review of their unit's management, programs, and financial controls**. The report is due by August 31 of each year for the prior fiscal year.** PTAs charted by NCPTA have the fiscal year of July 1– June 30.

The Uniform Local Unit Bylaws state:

Section 11.3 Annual financial review. By August 31 each year, the audit committee, or a certified public accountant appointed by the board shall:

a. Examine the treasurer's year-end financial report and this local PTA's financial records (including but not limited to all depository accounts, the general ledger of receipts and expenditures, supporting documentation and checks, and records of membership dues paid); and
b. State in writing whether or not the treasurer's year-end report is correct and shall submit that statement, with a copy of the report, to the board of directors.

The board shall review and approve the report of the audit committee or certified public accountant, and thereafter the audit committee shall use the data in the report to prepare and file the required Local PTA Year-End Report online in the NCPTA database no later than August 31. The audit committee will summarize its report to the general membership at its next meeting. The audit committee, at any time, may recommend to the board that an independent review of the financial records by a certified public accountant should be conducted.

How often should a Financial Review be conducted?

a. A financial review must be conducted once per year and submitted online to the NCPTA database by August 31st.
b. A financial review should be conducted at the end of each term of office even if he/she is elected to a second term.
c. A financial review should be conducted whenever there is a change in treasurer.
d. A financial review should be conducted whenever the Board of Directors requests an additional review to certify the books are in balance.

What information will be needed to complete a Financial Review?

- Total gross income of your PTA during the fiscal year
- Treasurer's Reports
- Bank Statements
- Number of PTA members during the fiscal year
- Names of the Audit Committee members
- General knowledge regarding your PTA's budget, financial controls, insurance, tax forms, and management

Guidelines for conducting the review:

- A financial review of your books **is not** required to be conducted by a Certified Public Accountant.
- This review can be performed by a Audit Committee, which should consist of **no less** than three members and is selected by the Board of Directors (see Uniform Bylaws, Section 8.2). The Financial Review Committee **may not** include anyone that was authorized to sign on the PTA bank accounts (during the fiscal year of the audit).
- **No** close relatives of those authorized to sign the PTA bank accounts may assist in conducting the financial review.
- It is recommended that the school Principal not be included on the audit committee.

What happens after the review is completed?

- The Audit Committee reports its findings to the Board of Directors.
- A copy of the report is included in the minutes.

Who may enter the information into the database?

- The Board of Directors selects the person(s) to enter the report into the NCPTA database.
- Some suggestions include: the president, current treasurer, or members(s) of the Audit Committee.
- A hard copy of the review should be printed and filed with the Board of Director's Minutes.

When can the information be entered?

The review for the current fiscal year may be entered after July 1st. For example, the review for the fiscal year July 1, 2012 – June 30, 2013 may be entered after July 1, 2013.

How do I fill out the online Financial Review for my PTA?

1. Go to the NCPTA Database (the same website Officers enter member information): www.ncpta.org/db
2. Login using the User ID and Password assigned to your PTA (the same User ID and Password Officers use to enter member information).
3. From the menu on the left-hand side of the screen, select "Financial", and then click "Financial Review".
4. Fill out the Financial Review Form and click "Submit." After you submit the review, it is saved to the database and changes are not permitted.
5. You may only submit one Financial Review for each school year. If you want to redo a report for a school year, you must first delete the existing report for that school year and then create a new report.

6. Once the Financial Review is submitted to NCPTA, you may log back into the NCPTA Database at any time to view, print, or save a Financial Report as a PDF file to your computer. From the menu, select “Financial”, then click “Financial Review” and click the “Select” button next to the school year of the Financial Report you wish to view. **Please do not submit a hardcopy to the State Office, just print a copy for your files.**

7. Once your review is submitted, this requirement of Good Standing is completed unless you are contacted by NCPTA for further clarification or information.

Attached are a Sample Review Checklist and the questions you will be required to answer in order to complete the online review. Please remember that you may not mail this report to the State Office – it must be entered into the database directly by your PTA.

PLEASE BE SURE THAT THE PERSONS ATTESTING TO YOUR SCHOOLS FINANCIAL REVIEW UNDERSTAND THE RESPONSIBILITY AND IMPORTANCE OF THIS REVIEW.

Sample Review Checklist

Does the PTA unit/council have its IRS Employer Identification Number (EIN)	___ Yes ___No
Is the PTA unit/council registered with the North Carolina Department of Revenue Sales and Use Tax Division (do they have a Merchant's License)?	___Yes ___No
Does the PTA unit/council have liability and bonding insurance?	___Yes ___No

INCOME

Was all the income properly allocated and categorized in accordance with the budget?	___Yes ___No

EXPENDITURES

Were all expenditures properly allocated and categorized in accordance with the budget?	___Yes ___No
Is there a proper bill or voucher for each expenditure?	___Yes ___No
Was each expenditure a part of the budget?	___Yes ___No

INTERNAL REVENUE SERVICE

Did/will the unit/council file the 990EZ or the 990-N postcard with the IRS? (Due to the IRS by November 15th of each year)	___Yes ___No

CHECKS/BANKING

Did authorized unit officers properly sign all checks?	___Yes ___No
Are all checks sequentially numbered?	___Yes ___No
Are all checks accounted for?	___Yes ___No
Were bank statements reconciled on a monthly basis?	___Yes ___No

BUDGET/REPORTS

Is there an approved motion in the General Membership minutes for the budget?	___Yes ___No
Did the treasurer submit regular written financial reports?	___Yes ___No
Were the financial records maintained in an orderly manner?	___Yes ___No

CARRY OVER FUNDS

Did end of year balance increase by more than 10%?	___Yes ___No
If yes, was the increase necessary for a long-term project? *(The IRS views a growing balance as a for profit indicator.)*	___Yes ___No
Did end of year balance provide excess funds for the start of the new school year?	___Yes ___No
If yes, were excess funds for a long-term project?	___Yes ___No

EXPLAIN ALL "NO" RESPONSES

Reviewed on (date)________________________

By: 1)____________________________ 2)________________________ 3)____________________________

Balance on Hand $___________________________

REVIEW COMMITTEE RECOMMENDATIONS: (please attach recommendations on a separate sheet)
Attach the final bank reconciliation and the final treasurer's report to this checklist for presentation to your PTA's Board of Directors.

NCPTA Sample Local Unit Financial Review

General Information

Response	Question
	School Name
	City
	School Year of Financial Review
	Reason why you were unable to submit Financial Review online.

Income

Response	Question
	Total gross income for your PTA in this fiscal year (All monies deposited into your PTA bank account during the fiscal year with the exception of the State and National portion of dues)
	Amount paid per **Adult** member to join your PTA as stated in your bylaws for the membership year in review
	Amount paid per **Student** member to join your PTA as stated in your bylaws for the membership year in review
	Number of Members (adults and students) that joined your PTA for the year in review

Budget

Response (Yes/No)	Question
	Budget shows all sources of income and expenses.
	Budget was formally presented and adopted at a general membership meeting.
	Date budget was approved
	There is a procedure to record and report all monies received.
	Income was properly allocated and categorized in the budget.
	There is an income budget line for sales tax refunds received semiannually.
	There is a procedure to report monies spent.
	Expenses were properly allocated and categorized in the budget.
	There are policies in place to allow changes in the budget line items as needed during the fiscal year.
	Regular monthly budget/treasurer reports were given to the Board of Directors.
	Regular budget/treasurer reports were given to the general membership.
	Provisions were made for a complete financial review at the close of each fiscal year.
	The budget makes provisions for carry over funds to provide for the new PTA year.
	Review Completed by: PTA Committee, Outside Professional, or CPA
	This PTA has a checking account.
	This PTA has a savings account.

Financial Controls

Response (Yes/No)	Question
	PTA monies are kept separate from school, personal, or other organizations' funds.
	An accounting system with an accurate record of all expenses and receipts is maintained.
	The state and national portion of membership dues is sent to the NCPTA on the 15th of each month that dues were collected.
	Purchases and reimbursement expenditures have a check request and receipts.
	The check requests are signed by the appropriate people and checked against the appropriate budget line item.
	Checks are numbered in sequence and any missing checks are recorded.
	Missing checks and/or deposits are accounted for at the time of this review.
	Checks are signed by at least two authorized people.

	The check signature cards are up to date at the bank with at least three persons authorized by the Board of Directors.
	Cash funds deposited are accompanied by a receipt signed by at least two authorized persons.
	Deposits are made in a timely manner.
	Bank reconciliations are performed each month by someone other than those who are authorized to sign checks.

Insurance

Response (Yes/No)	Question
	Insurance policies are in force to protect PTA against loss of property.
	Liability insurance policies are in effect to protect PTA officers and members.
	PTA leaders authorized to handle money are covered by bonding insurance.
	Copies of all policies are maintained with the permanent PTA records.

IRS and Tax Forms

Response (Yes/No)	Question
	The PTA is recognized as a tax exempt 501-C-3 organization with the IRS.
	The IRS EIN (employer identification number) is on file with NCPTA.
	The IRS exemption letter is filed and maintained with the permanent records.
	All tax forms required are properly filed from the previous fiscal year.
	There are procedures in place to have all tax forms filed on time for this fiscal year.
	The sales tax refund forms were properly filed in July and January.

Management

Response (Yes/No)	Question
	The PTA is incorporated.
	The PTA has an approved code of ethics for all leaders and members to abide.
	The code of ethics is signed by all members of the Board of Directors annually and filed with the secretary.
	There is a returned check policy approved by this PTA and published to all those doing transactions with this PTA.
	PTA leaders have attended local level training this year.
	PTA leaders have attended state level training this year.
	PTA leaders have attended national level training this year.

Other Information

Response	Question
	Name of Report Submitter
	Email of Report Submitter
	List names of the financial review committee members or the accounting professional that preformed the review.
	Recommendations or problems found while completing the financial review:

IRS Requirements for PTAs that Gross Under $50,000 Per Year
What you need to know….

Effective for tax years ending on or after December 31, 2010

Who must file Form 990-N (e-Postcard)?

Under the Pension Protection Act of 2006, small tax-exempt organizations whose gross receipts are normally $50,000 or less must file Form 990-N, *Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required To File Form 990 or 990-EZ*. Before this law was enacted, these small organizations were not required to file annually with the IRS.

An organization's gross receipts are considered to be $50,000 or less if the organization:

- Has been in existence for 1 year or less and received, or donors have pledged to give, $75,000 or less during its first taxable year;
- Has been in existence between 1 and 3 years and averaged $60,000 or less in gross receipts during each of its first two tax years; and
- Is at least 3 years old and averaged $50,000 or less in gross receipts for the immediately preceding 3 tax years (including the year for which calculations are being made).

Gross receipts are the total amounts the organization received from all sources during its annual accounting period (without subtracting any costs or expenses) less the National and State portion of dues collected.

How do I file the e-Postcard?

The e-Postcard is filed electronically by answering fewer than ten questions in an online form. The URL for filing is http://epostcard.form990.org . The form must be completed and filed electronically. **There is no paper form.**

How much does it cost to file the e-Postcard?

Filing the e-Postcard is free. To access the filing systems go to the filing site at http://epostcard.form990.org. There is no paper form.

When is the e-Postcard due? How often do I need to file?

The e-Postcard is due every year by the 15th day of the fifth month after the close of your tax year (usually the same as your accounting period). For example, if your tax year ended on June 30th, the e-Postcard is due November 15th.

If you do not file your e-Postcard on time, the IRS will send you a reminder notice but you will not be assessed a penalty for late filing the e-Postcard. However, an organization that fails to file required e-Postcards (or information returns – Forms 990 or 990-EZ) for three consecutive years will automatically lose its tax-exempt status. The revocation of the organization's tax-exempt status will not take place until the filing due date of the third year.

Do I need an e-mail address to file the e-Postcard?

Yes, you will need an e-mail address. The system uses the e-mail address to activate your login ID and password and to notify you if your e-Postcard was accepted or rejected by the IRS. If rejected, the e-mail will contain instructions on who to contact to resolve the problem.

Can I file the e-Postcard before the close of my tax year?

No, you cannot file the e-Postcard until after the end of your tax year.

What information do I need to provide on the e-Postcard?

The e-Postcard is easy to complete. All you need is the following information:

- Organization's legal name –
  - An organization's legal name is the organization's name as it appears on your bylaws or on the certificate of incorporation.
- Organization's mailing address – The mailing address is the current mailing address used by the organization. Usually the school address.
- Organization's website address (if you have one).
- Organization's employer's identification number (EIN) –
  - If you do not know your EIN, you may be able to find it on the organization's bank statement, application for Federal tax-exempt status, or prior year return or by contacting the State PTA Office (office@ncpta.org)
- Name and address of a principal officer of your organization –
  - List the name of your current president.
- Organization's annual tax year – (July 1 – June 30, see Uniform Bylaws, Article 13)
- Confirmation that the organization's annual gross receipts are normally $50,000 or less ($25,000 for tax years ending on or before December 31, 2009)
- If applicable, a statement that the organization has terminated or is terminating (going out of business)

Will I get a confirmation that I filed the e-Postcard?

Yes, you will receive an email from the filing system indicating whether your e-Postcard was accepted or rejected by the IRS. If rejected, the email will tell you who to contact to help resolve the problem. In addition, once you submit the e-Postcard to the IRS you can view the "Check Filing Status" page where you can view and print an image of the e-Postcard for your records.

If my information changes or I make a mistake, can I amend the e-Postcard after submitting it to the IRS?

No, you cannot file an amended e-Postcard. You can make corrections or update your information when you file your next e-Postcard in a subsequent year.

What should my organization do if when it attempted to file the e-Postcard using its correct EIN it received an error message indicating that the EIN was incorrect?

If you are certain that your EIN was entered correctly, the IRS may not have your organization listed as a tax-exempt organization. If you receive an error message, contact the State PTA Office for assistance.

Can I file Form 990 or Form 990-EZ instead of the e-Postcard?

Yes, but please note that if you choose to file an annual information return (Form 990 or Form 990-EZ) instead of the e-Postcard, you must file a complete return. An incomplete or partially completed Form 990 or Form 990-EZ will not satisfy the annual filing requirement. Also, you may be assessed a late filing penalty if you file Form 990 or Form 990-EZ late.

What happens if I file the e-Postcard late?

The IRS will send you a reminder notice if you do not file your e-Postcard on time, but you will not be assessed a penalty for late filing an e-Postcard. However, it is critical that you file within the 3-year period.

What if our PTA grossed over $50,000 (previously $25,000)?

Local unit PTA/PTSAs that gross over $50,000 are required to file IRS Form 990EZ or IRS Form 990 (if gross receipts are over $200,000) as in the past. The 990-N e-postcard only affects local units that gross under $50,000.

If you have any questions concerning this regulation, please contact the State PTA Office at office@ncpta.org .