

**NORTH PENN COORDINATING COUNCIL
CHAPTER MEMBERS'
TRAINING/ORIENTATION FOR TREASURERS**

CONTENTS

Recommended Accounting Practices

1. Sales Tax Exemption
 - a. Overview
 - b. Guidelines
 - c. PA. Dept. of Revenue letter certifying NPSD CC Inc. as Purely Public Charity
 - d. Certificate of Exemption
 - e. PA Blanket Exemption Certificate
2. Reporting Timeline and Responsible Party
3. Financial Reporting for Chapter Members — **due January 15 and July 31 each year**
 - a. Financial Reporting Form
 - b. Financial Reporting Guidelines
4. 1099 Reporting — must be sent to qualifying vendors or service providers by **January 31 for previous year's activities and to IRS by February 28**
 - a. Guidelines for 1099 Reporting
 - b. Sample 1099-MISC Forms (Cannot be reproduced)
 - c. IRS Form W-9 — use to collect a vendor's Taxpayer Identification Number
5. Donations, Grants, and Related Requirements
 - a. Sample Acknowledgement Letter
 - b. IRS Determination Letter — may be requested by corporate donors
6. Gifts to the North Penn School District
 - a. School Board Policy
 - b. Gifts to NPSD Form
7. Charitable Gaming Limitations
 - a. Discussion of IRS limits
 - b. NPSD Policy
 - c. Montgomery County Licensing Form

Reviewed 10/11

Some Recommended Accounting Practices and Procedures for Chapter Members

1. MAINTAIN COMPLETE RECORDS

Chapter members should maintain the following information that may be subject to IRS Audit:

- a. monthly bank statements and cancelled checks
- b. deposit receipts supporting all cash receipt activity
- c. invoices or other papers that support all cash disbursement activity

2. CHECK SIGNING PROCEDURES

It is recommended that 2 people holding an elective office in the organization be required to sign all checks written on the chapter's bank account(s). This is likely to slow down the flow of money, understandably, but will protect the integrity of the organization's finances.

3. CASH HANDLING PROCEDURES

It is strongly advised to deposit cash receipts as quickly as possible into the chapter's bank account, whether it is dues received or cash from a sponsored activity. It may not always be practical, but it is advisable to protect the integrity of the organization, as well as to limit the liability of its members. Whenever possible, at least two responsible members should be present when money is counted and a written record should be created for the treasurer. When a cash box is used for an event, the money should be counted beforehand with amount noted and signed for. The same should be done after the event.

4. SUGGESTIONS FOR HANDLING BAD CHECKS

Here are two procedures that have been used by some of our chapter members in the past that may be helpful if your organization is faced with this problem.

- a. Check with the issuing bank every day to learn when there are sufficient funds in the account and then go to the bank that day and have a check issued to the organization.

OR

- b. Upon receiving notice from the bank about a bad check, send a letter with a copy of the bad check to the parent through school in care of the student or by mail. Keep a record of the date it was sent on the bank notice. When a new check or cash is received, deposit it, making a note on the original bank notice. When the monthly bank statement is received, verify that the replacement funds have been received and cleared. Then you can remove the original bank notice from your file, if desired. If the replacement funds have not been received, send a second copy of the letter with the words "Second Notice" hand-written across the top.

Overview of Tax Exemption

HISTORY: Coordinating Council has been in existence for many years as an informal group made up of representatives from each home and school association. In 2001 the organization incorporated and filed with the State of Pennsylvania as a nonprofit organization. The IRS granted Coordinating Council exemption as a charitable organization under section 501 (c)(3) of the Internal Revenue Code. In 2005 the Council determined that they were required to file an additional filing for a group exemption, which would serve to recognize certain of the subsidiary organizations as tax exempt by the IRS. A favorable ruling was received from the IRS in August 2006. With this ruling come benefits and responsibilities.

MISSION: The object of the Council is to provide a forum for parents of the North Penn School District to exchange ideas and to promote an ongoing relationship between the schools, administration, board and community. The council also promotes the advocacy of educational purpose and the support of educational institutions within the community.

GOVERNANCE: The Council is governed by an executive board elected by the members of the Council. The board is made up of a President, Vice-President, Treasurer(s), Recording Secretary, Corresponding Secretary and level Vice-Presidents. The duties of the board are further described in the bylaws.

IRS DETERMINATION LETTER: There are two letters from the IRS included in the Treasurer's Manual. First is the IRS determination letter, dated March 25, 2005, which documents the Council's tax-exempt status under the Internal Revenue Code. The second letter, dated July 28, 2006, is the group exemption ruling which recognizes specific chapter members as exempt from federal income tax under section 501(0)(3). This letter may be requested by corporate donors or foundations that are making contributions to your chapter.

LIMITATIONS ON CHARITABLE GAMING: As a result of the group exemption, Coordinating Council and their IRS recognized chapter members are prohibited from some and limited as to certain other charitable gaming fund-raisers. **The IRS has specifically prohibited Bingo.** This refers to bingo that is played for a wager. In other words, you can not host a bingo game where the participants must pay to play. If your organization hosts a family game night and one of the activities is a bingo game, this can be acceptable as long as there is not a charge to play and the event is not a fundraiser for the school but rather an activity night. Other charitable gaming activities can not be held regularly and must be limited to an insignificant amount of revenue. **A license to hold these activities is required by Montgomery County.** Please see the last section of this manual for more discussion of this topic.

SALES TAX EXEMPTION: CC has received an exemption from PA State Sales Tax. A sales tax exemption form is to be used when purchasing taxable supplies to be used as part of your exempt purpose. A copy of this form can be obtained in the Treasurer's Manual. If you experience difficulty in utilizing this exemption, please contact the CC treasurer.

Sales Tax Exemption Guidelines

North Penn Coordinating Council

Sales Tax Exemption #75-451-354

The PA Department of Revenue has granted the North Penn Coordinating Council exemption from State sales tax. This exemption applies to all chapter members and will be renewed by Coordinating Council every 5 years or as required. The following Guidelines have been prepared to assist you regarding the use of the sales tax exemption:

Use of Exemption

Your organization may copy the PA exemption certificate as needed for purchasing items to be used as part of your exempt function (which is to provide programs for the students). This would include purchases of supplies for RIF day, Family Literacy Nights or any Home and School sponsored activity for the benefit of the students.

Please make sure that this number and the certificate are only used by members of your organization that have the authority to make these purchases and only on appropriate purchases.

Fundraising Events

If you are having fundraising event (i.e. book fair) and are selling products to a third party (i.e. parents and students), you must collect sales tax from the individuals purchasing the items, *it is imperative that the vendor you are working with agrees to remit the tax to the state*. Coordinating Council will not be collecting and remitting sales tax. If the association is purchasing books *to be used in the school or library* they are exempt from paying the tax, however, you need to keep detailed records of the items sold with and without tax. At the end of the event, you would provide the vendor with information regarding total sales subject to tax and total sales not subject to tax as well as forwarding the tax collected to the vendor for remittance to the state.

If you are running a school store or holiday shop, you should pay tax when you purchase the items and then you may resell them without the tax. Items are only taxed once!

What is Exempt?

The general rules regarding items that are exempt from tax (i.e, if you are reselling these items for a fundraiser, you do not need to collect the tax from the purchaser) are clothing and food (such as Market Day items). Based on our review of the regulations, we are taking the position that coupon books (KidStuff, Entertainment) are not taxable since catalogues and newspapers qualified to carry a legal advertisement are not taxable.

Questions or Further Information

The Department of Revenue has a publication that lists what items are taxable and what items are exempt from tax. It can be found online at the IRS website and is on file with Coordinating Council. If you have any questions, please contact the current Coordinating Council Treasurer.