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Financial Management in PACs and DPACs

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Financial Management in PACs and DPACs

Like all organizations accountable to their members, PACs and DPACs are responsible for the money they hold on behalf of parents.

PAC and DPAC money, wherever it comes from, belongs to the membership as a whole. It does not belong to the executive, treasurer, school, or school district. The executive and treasurer may spend council money *only* with the authority of the membership and in accordance with the council's bylaws.

Basic Principles

The following basic principles will help your PAC and DPAC manage their money:

1. The council must have its own bank account, separate from the school or school district's accounts. Bank statements should be mailed to the PAC at the school's address and to the DPAC at its office or the school district's address.
2. The treasurer is responsible for ensuring safe custody of the council's money. The treasurer's responsibilities also include
 - ensuring safe-keeping of all banking and financial records, including cheque and deposit books
 - properly recording all financial transactions in a ledger, spread sheet, or similar format
 - preparing a bank reconciliation on a timely basis
 - preparing regular financial reports and a year-end report for the executive and membership
 - with the assistance of the executive, drafting an annual budget.
3. The president should be familiar with all financial records, and should review the bank reconciliations regularly.
4. Money can only be spent according to the council's approved budget or with authorization of a motion passed at a general meeting. The treasurer is responsible for ensuring that this authority is not exceeded.
5. All deposits must be made to the council's account, and all payments must be made by cheque.

6. All money received must be deposited on a timely basis.
7. Cash received should be counted by at least two people and deposited within a day.
8. Receipts must be given for all money received.
9. All cheques must be signed by two out of a possible three or four authorized people. (Check your bylaws.) These should be parent members of the PAC or DPAC who are not employees or elected officials of the school district or Ministry of Education.
10. A petty cash fund is not recommended as it is too easy to lose track of expenditures.
11. Some council bylaws allow the executive to spend small amounts without prior approval. This spending should be approved at the next general meeting.
12. If the council holds an event requiring advance payments, consider giving the purchaser a reasonable float. The purchaser should provide receipts and return any balance. Parents should not be out of pocket for council purchases.
13. Every council member has the right to see all financial records on reasonable notice.
14. An annual review of the council's books and records should be conducted by two or three parents who do not have signing authority on the council's bank account. The team of reviewers must be appointed by a motion passed by the membership. See *Year-End Review* on page 7.
15. All banking and financial records should be kept for five years from the end of the fiscal year to which they relate.

Basic Principles of Gaming Funds

Funds received from the BC Gaming Policy and Enforcement Branch have special requirements:

1. All gaming funds, whatever their source, must be managed by the PAC or DPAC that received them. Your council membership must make *all* decisions relating to the management and expenditure of gaming funds. PACs may consult the principal and school staff, and DPACs may consult the school district superintendent and senior management, but decision-making remains with the council.

For current information on the application for, eligible uses of, and reporting of gaming funds, consult the BCCPAC website at

www.bccpac.bc.ca

or the website of the Gaming Policy and Enforcement Branch at

www.pssg.gov.bc.ca/gaming/

2. Gaming funds must be deposited and kept in a separate bank account marked “gaming”.
3. Cheques issued on the gaming account must be signed by two council members with signing authority under your bylaws. One of the signatories must be an executive member.
4. Gaming revenue and expenditures are reported separately from other council funds.
5. All gaming records must be kept for five years from the end of the fiscal year in which funds were spent.

Budgeting ~ A Council’s First Step in Financial Planning

Budgeting reflects planning for the year ahead and gives your council’s executive and treasurer the authority they need to spend money.

A budget approved by the membership at a general meeting allows the executive to go ahead with the council’s plans for the year and spend money at the appropriate time.

All money raised should have a purpose.
All money kept should have a purpose.

Without a budget, the executive must seek approval from the membership for every expenditure.

Steps to good budgeting

Good budget planning takes into account the wishes of the council membership and the needs of the school:

1. Begin with the parents, either through a survey sent home or an open discussion at a general meeting called for the purpose.
2. To support student achievement in your school, take into consideration your school goals. Do your PAC’s proposed revenue sources and expenditures support these goals?
3. Consult your school administrators. Ask for a prioritized wish list from school staff. If possible, avoid taking competing requests from individual staff members.

4. If your council is planning to use gaming funds, check to ensure that proposed expenditures fall under eligible uses for gaming funds.
5. If fundraising is necessary to meet your council's goals, work with the fundraising committee to prepare a list of possible fundraisers and anticipated income.
6. Previous budgets and annual financial reports serve as a guide. A comparison between last year and this year is helpful to members in assessing the council's financial position and whether the budget is reasonable

This process should produce a realistic plan for the year. Consult your administrators to make sure the plan fits the school's needs and can be coordinated with school plans. Take the draft budget to the next general meeting, discuss it, and finalize it.

It is important to complete this process before the current budget expires. Otherwise, there will be a gap during which the executive and treasurer have no authority to spend anything. This may hold up a project or event.

Unanticipated expenses

Any active organization will have unanticipated expenses.

Your council's bylaws may allow the executive to spend small amounts on unbudgeted items. If the bylaws say nothing on this, an amount can be approved at the same time as the budget.

All unbudgeted expenditures must be reported to the membership at the next general meeting. Members may ask questions and express their approval or disapproval of the expenditure. They may direct the executive to stay within the budget in future.

Amending the budget

A budget can always be amended by a vote at a general meeting.

Part of the treasurer's responsibility is to keep track of revenue and expenditures and alert the executive and membership to any problems with the budget. If more money comes in than expected, advise the membership at the next general meeting and ask them to

decide what to do with it. If less comes in, the membership must decide which expenditures to reduce or cancel.

Reporting

The treasurer is responsible for preparing regular financial reports for the executive and membership.

A report reflecting *all* transactions since the last report should be prepared for every executive and general meeting. The purpose of the report is two-fold:

Funds should be used for the purpose for which they were raised.

- to show what has transpired since the last report
- to give the executive and members the information they need to make informed decisions.

Principles of reporting

1. Reports should be in writing—verbal financial reports are not adequate—in a format that is easily read and understood.
2. The report becomes part of the minutes.
3. Every member attending a meeting is entitled to a copy of the report. Copies should be available for parents unable to attend.
4. The treasurer does not need to read the report if members have copies. It is enough to highlight significant items.
5. All records should be brought to every meeting as members are entitled to question the report.
6. A separate financial report for a particular event may be appropriate. For example, if sports day involves the purchase and sale of several items, a separate report showing all items should be prepared. The net results of this report will be reflected in the regular report.
7. An annual financial statement showing all revenue and expenditures for the year should be prepared after year-end and presented at the annual general meeting. The council may decide to have the financial statements audited or reviewed. See *Year-End Review* on page 7.
8. Revenue and expenditures from the BC Gaming Policy and Enforcement Branch are reported separately. See *Basic Principles of Gaming Funds* on page 3.

9. Large expenditures, for example, computers or playground equipment, may take several years to prepare for. Funds in trust for these purchases should be shown clearly on all reports. Consult your school district about holding the funds in trust and reducing PST and GST liability.

Year-End Review

A *review* is an examination of the council's financial records to ensure that the financial statements presented to the membership fairly reflect the council's financial position. It is sometimes called an audit, but should not be confused with the term "audit" used in the accounting profession.

Conducting the review

1. A review does not have to be done by a professional accountant or bookkeeper. It can be done by two or three parents who do not have signing authority on the council's bank account. The team must be appointed by a motion passed by the membership.
2. The review team obtains all the financial records from the treasurer, and should conduct their work at a neutral location *without the treasurer present*. This can take two to four hours.

Revenue

3. All cash received should have been recorded on a tally sheet and deposited on a timely basis. Check the tally sheets for cash received against the bank deposits, then have two reviewers initial the tally sheets. Check the deposit book against the bank statement.
4. The records should reflect the category for each deposit. For example, book sales should be under the heading "Book Sales".

Expenditures

5. For every expenditure, there should be either an item in the annual budget or a motion in the minutes authorizing the expenditure.
6. For every cheque written, there should be an invoice or receipt.
7. The review team may review all cheques or a random number, say every third one.
8. Examine each cheque against the invoice or receipt to confirm:
 - the payee is the same as the invoice or the person who prepaid it
 - the amount agrees with the invoice or receipt
 - the payee is not one of the people who signed the cheque
 - the cheque is signed by two authorized people
 - there is no trace of any alteration on the cheque
 - the bank has stamped the back of the cheque
 - the cheque appears on the bank statement in the same amount.
9. Check each bank statement against the record book to ensure that all transactions have been recorded and the amounts charged to the proper categories. Any voided cheques should be accounted for.
10. Examine the bank reconciliation for the year-end and trace the reconciled bank balance to the year-end financial report. Verify that all deposits outstanding at the year-end were deposited shortly after the year-end. Any outstanding cheques should be current and verified.

Examining the financial records

The next step is to fully examine the financial records.

11. All deposits and cheques should have been recorded in some form of record book.
12. If the records are in electronic form, work with the paper printouts. Electronic records should be backed up on disk or CD.
13. Check the record book to verify that an item is recorded in the proper category and the arithmetic is correct. Reviewers may check all transactions or check at random.

14. Trace the total of each category or an item in the record book to the year-end financial statements prepared for the membership.
15. All items in the financial statements must come from the records, and all balances must correspond. In particular, the bank or cash balance shown in the financial statements must correspond to the total of the reconciled bank balance.
16. If the reviewers need clarification of an item, they may contact the treasurer. Any minor exceptions found should be mentioned to the treasurer and president. Significant exceptions should be reported in writing to the executive.
17. On completion of the examination, the review team will write a report to the council, similar to the following:

We have examined the books and records of (name of council) for the year ended June 30, 20__ . As a result of our examination, we feel that the financial statements fairly present the financial position at June 30, 20__, and the revenue and expenditures for the year then ended.
18. The reviewers will return the records to the treasurer.

Samples

On the following pages, you will find:

- Bank Reconciliation
- Sample Statement of Revenue and Expenditures for a one-month period
- Sample Treasurer's Report for a one-month period
- Sample Proposed Annual Budget
- Sample Budget for a single event
- Sample Statement of Revenue and Expenditures for a single event

These samples have been created very simply in Microsoft Word. They can also be done by hand. You may use accounting software, but it is not necessary.

Great Elementary School Parent Advisory Council

Bank Reconciliation as at *(date)*

Ending balance on bank statement _____

ADD:

Outstanding deposits (deposits recorded in your books but not shown on bank statement)

Deposit date	Amount
_____	_____
_____	_____

Total outstanding deposits _____

DEDUCT:

Outstanding cheques (cheques recorded on your books that have not cleared the bank)

Cheque #	Amount
_____	_____
_____	_____
_____	_____

Total outstanding cheques _____

Current balance: (This balance should agree with the records. Any differences should be found and corrected.) _____

**Great Elementary School Parent Advisory Council
Sample Statement of Revenue and Expenditures
March 12, 2005 – April 10, 2005**

Cash on hand March 12, 2005 *	\$ 201.00	
Revenue:		
Book sales	600.07	
Hot lunch	<u>301.71</u>	
Total Revenue		\$1,102.78
Expenditures:		
Hot lunch supplies	180.00	
Books	450.00	
Bank service charge for March	<u>0.50</u>	
Total Expenditures		<u>630.50</u>
Cash as of April 10, 2005:		<u>472.28</u>
Cash in Bank:		
Chequing account		400.00
Savings account		52.28
Share account		<u>20.00</u>
Cash on hand April 10, 2005		472.28
Outstanding payables:		
Dairyland		50.00
Name tags		<u>23.00</u>
Cash available for use:		<u>\$ 399.28</u>

* This amount should agree with cash on hand at the end of the last statement.

**Great Elementary School Parent Advisory Council
Sample Treasurer's Report March 12, 2005 – April 10, 2005**

	2005 Mar 12–Apr 10	Year to Date Oct 1–Apr 10	2004-2005 Budget	Variance
Revenue				
Interest	\$ 0.67	3.89	10.00	(6.11)
Craft Fair	0.00	4,732.32	4,500.00	232.32
Book sales	0.00	2,789.22	2,500.00	289.22
Hot lunches	85.27	325.11	450.00	(124.89)
Car wash	363.00	363.00	500.00	(137.00)
Plant sale	0.00	0.00	1,500.00	(1,500.00)
Sports day booth	0.00	0.00	900.00	(900.00)
	<u>448.94</u>	<u>8,213.54</u>	<u>10,360.00</u>	<u>(2,146.46)</u>
Expenditures				
Craft Fair	\$ 0.00	1,835.22	2,000.00	(164.78)
Books	0.00	1,950.00	2,000.00	(50.00)
Hot lunches supplies	123.22	352.00	450.00	(98.00)
Plant sale supplies	0.00	0.00	1,000.00	(1,000.00)
Library books *	550.00	900.00	1,200.00	(300.00)
Computer software *	1,000.00	1,000.00	1,500.00	(500.00)
Field trips	500.00	500.00	1,100.00	(600.00)
Photocopying	0.00	77.56	125.00	(47.44)
DPAC	25.00	25.00	25.00	00.00
Teacher Appreciation Day	0.00	0.00	150.00	(150.00)
Grade 7 grad *	0.00	0.00	225.00	(225.00)
Bicycle rodeo *	0.00	55.00	50.00	(0.00)
Planetarium van	350.00	350.00	350.00	00.00
Sports day supplies	0.00	0.00	175.00	(175.00)
BCCPAC membership	0.00	0.00	65.00	(65.00)
Bank charges	2.00	3.50	10.00	(6.50)
	<u>2,550.22</u>	<u>7,048.28</u>	<u>10,425.00</u>	<u>(3,381.72)</u>
Excess (Deficiency)				
Revenue over expenditures	\$ (2,101.28)	1,165.26	(65.00)	1,235.26
Cash on hand				
At beginning of period	3,643.19	376.65	300.00	76.65
At end of period	<u>\$ 1,541.91</u>	<u>1,541.91</u>	<u>235.00</u>	<u>1,311.91</u>
Cash in bank				
Chequing	\$ 10.31			
Savings	<u>1,531.60</u>			
	<u>\$ 1,541.91</u>			
Funds held in trust				
Playground	\$ 14,500.00			
Interest	<u>68.26</u>			
	<u>\$ 14,568.26</u>			
		Held in Term Deposit maturing May 15, 2005 90 days – 3.5%		

Great Elementary School Parent Advisory Council
Sample Proposed Annual Budget
October 1, 2005 – September 30, 2006

	Oct 2004 to Sept 2005 Actual	2004-2005 Budget	Proposed 2005-2006 Budget
Revenue			
Interest	\$ 8.00	10.00	10.00
Craft Fair	4,732.22	4,500.00	4,700.00
Book sales	2,789.22	2,500.00	0.00
Hot lunches	565.00	450.00	500.00
Car wash	363.00	500.00	0.00
Plant sale	1,863.00	1,500.00	2,000.00
Sports day booth	754.36	900.00	1,000.00
	11,074.80	10,360.00	8,210.00
Expenditures			
Craft Fair	\$ 1,835.22	2,000.00	2,000.00
Books	1,950.00	2,000.00	0.00
Hot lunches supplies	483.26	450.00	500.00
Plant sale supplies	910.00	1,000.00	1,000.00
Library books *	1,500.00	1,200.00	1,200.00
Computer software *	1,800.00	1,500.00	1,400.00
Field trips	1,100.00	1,100.00	1,200.00
Photocopying	123.65	125.00	100.00
DPAC	25.00	25.00	25.00
Teacher Appreciation Day	147.50	150.00	150.00
Grade 7 grad *	275.00	225.00	225.00
Bicycle rodeo *	145.20	50.00	0.00
Planetarium van	295.00	350.00	0.00
Sports day supplies	175.00	175.00	200.00
BCCPAC membership	65.00	65.00	65.00
Bank charges	5.00	10.00	10.00
	10,834.83	10,425.00	8,075.00
Excess (Deficiency)			
Revenue over expenditures	\$ 239.97	(65.00)	135.00
Cash on hand			
At beginning of period	321.65	300.00	500.00
At end of period	561.62	235.00	635.00

* Motion passed to exceed budget.

**Great Elementary School Parent Advisory Council
Sample Fun Fair Budget
February 3, 2005**

Below is a sample budget for a single event.

Revenue:		
Game ticket sales	\$700.00	
Concession	600.00	
Plant sale	250.00	
Silent auction	300.00	
Total anticipated revenue		\$1,850.00
Expenditures:		
Food supplies	\$300.00	
Game rentals	250.00	
Prizes	70.00	
Plants	100.00	
Decorating	30.00	
Caricaturist	150.00	
Total anticipated expenditures		900.00
Anticipated profit		\$950.00

**Great Elementary School Parent Advisory Council
Sample Fun Fair Revenue and Expenditure Statement
April 12, 2005**

Below is a sample revenue and expenditure statement for a single event.

Revenue:		
Game ticket sales	\$821.00	
Concession	695.40	
Plant sale	225.00	
Silent auction	345.00	
Total revenue		\$2,086.40
Expenditures:		
Food supplies	\$354.23	
Game rentals	257.00	
Prizes	62.00	
Plants	100.00	
Decorating	26.00	
Caricaturist	150.00	
Total expenditures		949.23
Profit		\$1,137.17

Generally Accepted Accounting Principles (GAAP)

Generally Accepted Accounting Principles (GAAP) are a set of principles for accounting and financial reporting that are generally accepted by the Canadian Institute of Chartered Accountants (CICA). They provide guidance on how to measure and communicate economic information through financial statements.

All BC school districts are required to comply with GAAP. Consistent use of GAAP makes it possible to compare financial data among school districts.

Should PAC funds be included in school district GAAP financial statements?

No. PACs are separate entities from schools and the school district. PAC funds are not *school-generated funds*. This means they do not need to be reported to the school district and should not be included in school district financial statements.

PAC-generated funds that the PAC uses to purchase items for the school or to pay for student activities do not need to be included in district financial statements. However, if a PAC *donates funds* to the school, those funds will be considered school-generated funds and will be included in the district statements, according to GAAP.

Are funds raised by parents for school or teacher-sponsored events or activities considered to be PAC funds?

There is disagreement whether these funds are PAC-generated funds (not subject to GAAP) or school-generated funds (subject to GAAP).

To avoid confusion, *all* fundraising by parents, whether for PAC, school, or teacher-sponsored events, should be approved by the PAC, reflected in the PAC minutes, and deposited into the PAC bank account.

PST and GST Refunds on PAC-Funded Purchases for Schools

PST

PACs are eligible to receive a refund of provincial social service tax (PST) paid on goods purchased with PAC-raised funds and given to a school for school use.

Information on eligibility is available from the Consumer Taxation Branch at **604-660-4524** in Vancouver, or toll free **1-877-388-4440**, or consult

- ✓ www.rev.gov.bc.ca/ctb/

The *Application for Refund* can be downloaded at

- ✓ www.rev.gov.bc.ca/ctb/forms/0413PACFILL.pdf

GST

PACs also qualify for GST rebates. For assistance in completing a rebate application, consult

- ✓ www.cra-arc.gc.ca/E/pub/gp/rc4034/rc4034eq-07.html

The application for GST rebate can be downloaded at

- ✓ www.cra-arc.gc.ca/E/pbg/gf/gst66/gst66-e.pdf

For additional assistance, call the BCCPAC office at **604-687-4433**.