

To: Bridgette Wickard, South Middleton PTO Board President

From: Audit Committee

Cc: South Middleton PTO Board Members

Date: September 18, 2025

Re: Audit of South Middleton PTO Financial Records

In accordance with the South Middleton PTO bylaws (article eight, section four), the audit committee conducted an audit of the financial records for the 2024-2025 school year. The audit was completed by a three-member committee with the support of the treasurers. The audit was conducted to obtain reasonable assurance about whether the financial statements presented by the treasurers are free of material misstatement, whether due to error or fraud. Extra attention was paid to the policies and procedures that are the basis of the financial statement to ensure they follow proper financial safeguards and provide transparency to the PTO.

Audit Procedures:

Audit committee requested all financial records for the 2024-2025 school year. With the documentation provided, a review was conducted to match the bank statements and the financial statements. The committee also reviewed various transactions to ensure proper procedures were followed on cash receipts and disbursements.

Audit Findings:

The committee found the financial statements were free of financial misstatement and no signs of fraud were discovered. A review of the policies and procedures discovered several areas that the PTO could improve upon. In the following appendix, the committee provides recommendations to improve the policy and procedures and bolster transparency. The committee is committed to providing templates and examples to help improve these areas.

Appendix A

General Recommendations:

#1 Concern: Being a nonprofit with cash flows coming at various times, throughout the year, a monthly cash flow statement and projection trend would be beneficial for an understanding of the varying ins and outs of cash flow.

Recommendation: A statement of cash flows should be developed/refined to present cash inflow and outflows monthly, as well as an annual projection – this would be done YTD, therefore, all actuals through a current month and a projection for the rest of the year would be reflected. In doing this, it will allow the board and school principals to see the timing of cash coming in and when it is expected to be used. This would basically be formatted like an income

statement (statement of activity) to show all of the income and expenses the organization is projecting.

#2 Concern: 990 tax filing

Recommendation: In accordance with the IRS, organizations generally with less than \$50,000 gross receipts annually, are to file a 990-N (postcard), which the SMPTO has previously filed. After review of the financials last year, it appears that income was netted down by expenses. Per the IRS, gross receipts are total amounts received from all sources, without subtracting any costs or expenses. We recommend that a form 990-EZ is completed annually to comply with the tax filing regulations moving forward, while continuing to maintain an annual review of gross receipts.

Cash:

#1 Concern: Having all documents in a binder for review was helpful, however when spot-checking transactions between statements, registers, and other supporting documentation, it was difficult to find certain transactions.

Recommendation: Our recommendation is to add the check register and any supporting documentation to the month the check was written/expense incurred. Currently, it appears the register was included in the month the check cleared, so it was more difficult to track those transactions. Ultimately, we would recommend a separate outstanding check list being maintained to correlate with those checks being written and then once the check is cleared on a future statement, the issued check on that list can be removed/cleared.

Respectfully,

Shane Fisher
Stacey Poulsen
David Wickard