

MAPLEWOOD K-8 COOPERATIVE BUDGET RESERVE GUIDELINES

PCEP Financial Structure

The PCEP was incorporated in the state of Washington as a non-profit organization in February of 1994. A copy of the Articles of Incorporation is on file in the PCEP document storage safe. The PCEP is recognized as a tax-exempt organization under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). This determination was finalized in a letter from the IRS dated December 1, 1998 following the standard probation period. This letter is on file in the PCEP document storage safe. The PCEP's fiscal year ends June 30.

Budget Reserve and Startup Fund Guidelines

Budget Reserve Funds are those that have been set-aside 'for a rainy day'. **Startup Funds** are set up to ensure funding exists for any expenses that occur early in the year. The PCEP budget is recurring and supports planned classroom and committee activities. A downturn in pledge receipts and/or fundraising would have a significant negative impact on the quality of the program. The Budget Reserve and Startup fund allow continuity of the program for future years and time to recover from significant income fluctuations, both during the year and for the future. National PTA guidelines recommend that the PCEP reserve be set at 50% of the yearly budget. In order to ensure the continuity of the program as mentioned above, the Budget Reserve shall be set at 50% of the parent approved budgeted Total Revenue for the following year. In addition, the Startup Fund shall be set at 35% of the parent approved budget Total Revenue for the following year. Thus, the combined Budget Reserve and Startup Fund will total 85% of the parent approved budget Total Revenue for the following year.

For example, the 2005-2006 budgeted Total Revenue has been set at \$79,750. The Budget Reserve and the Startup Fund would therefore be set at \$67,788. At the end of the fiscal year, based on the final financial results of the PCEP as of June 30, 2005 the total of the Budget Reserve and the Startup Fund amount would be compared to all final balances of checking, savings, Certificates of Deposit or other investments ("Cash on Hand"). If the Cash on Hand was \$72,788, the PCEP would have an Surplus in the amount of \$5,000. If the Cash on Hand were \$65,788, a Shortage would exist in the amount of \$2,000. See the guidance below for Shortage Replenishment and Surplus Distribution.

Budget Milestone Dates

The following timeline defines PCEP budgeting milestones:

- Spring: Budget committee formed
Budget drafted and approved
Startup funds calculated
- June 30 Fiscal year ends
- August-October
Books are balanced and audited
Reserve surplus/shortage identified
Reserve status published
Reserve surplus proposals requested
- November: Reserve surplus proposals reviewed/approved

Shortage Replenishment Guidelines

A reserve shortage will be announced to parents and staff in the summer edition of the Parent Newsletter. Since a shortage condition will not be known until after the budget for the next year has been approved and the current fiscal year end (June 30th) report is complete, it is recommended that the PCEP have a 12 month 'grace' period to replenish the funds.

These funds could be replenished by additional fundraising activities, increasing the monthly pledge amounts, or other approved activities.

If, at the end of the next fiscal year, the shortage has not been replenished (if there were a shortage for 2 consecutive years), the following year's budget would be reduced by the Budget committee to a level that would support the actual reserve amount. For example, if after 2 consecutive years of budget shortages, the reserve amount was \$29,000 (after setting aside the necessary start up funds), the PCEP budget for the next school year would be reduced to \$58,000.

It is the responsibility of the Board to approve any shortage replenishment plan

Surplus Distribution Guidelines A reserve surplus will be announced to parents and staff at the October parent meeting and/or the weekly Newsflash. Reserve Surplus Proposal Forms will be available in the Treasurer's box in the school office or via mail by request to the Treasurer.

Surplus Proposals will be reviewed by the board, which includes the Executive committee, staff members appointed by the principal, and grade level representatives. The committee meetings to review the proposals will be open to any parent or staff member for comments. It is intended that the surplus proposals will provide the most benefit to the most students, or will directly fund enrichment opportunities for a smaller number of students. The board will present their recommendations to the parents for approval. It is strongly recommended that the proposals be limited by the following guidelines. However, exceptions to the guidelines will be considered on a case-by-case basis:

- If the total surplus is less than \$3,000, each proposal will be limited to 30% of the surplus amount. For example, if the surplus were \$1,200, each proposal would be limited to \$360.
- If the total surplus is greater than \$3,000, each proposal will be limited to 20% of the surplus amount. For example, if the surplus were \$5,000, each proposal would be limited to \$1,000.

Staff and/or parents may submit proposals. It is important that the teacher review all classroom-related proposals and the principal review all schoolhouse related proposals prior to submission. Approved proposal expense reimbursement requests must be submitted to the Treasurer within 120 days of the approval. Approved proposal expenses not realized within the 120-day limit are 'returned' to the general fund for inclusion in the next year's budget calculations.