

Money Management for a Homeschool Group

By Carol Topp, CPA

Managing a homeschool group can be very rewarding, but it can also be very challenging. A homeschool leader must schedule events, deal with various personalities, and manage the finances. Here is some practical advice for managing the money in a homeschool group, whether it is a support group, club, or co-op. Every group needs to be fiscally responsible for the funds entrusted to it and should start by appointing a treasurer and opening a separate checking account. As the size of your group grows, so do the financial responsibilities. As a group expands, it should establish a budget. Finally, every group needs to keep good financial records and give regular financial reports to leadership.



Appoint a Treasurer

A homeschool group works best when the workload is shared. In a small group the director or founder may handle the finances. As a group grows, the financial responsibility should be shared between a treasurer and the director. There are several reasons to appoint a treasurer:

- To divide the labor. Many hands make light work.
- To avoid mistakes. If the treasurer makes a mistake, the director may spot it, but if one person fills both roles, no one is double checking the numbers.
- To avoid fraud. We don't like to admit that it might happen, but sometimes people you trust embezzle money. You may have heard of PTA or other leaders who have skimmed money from the group's account for personal use. It

can happen in homeschool groups too. The list of recommendations for checking accounts (below) is some protection against fraud. Separating duties by appointing a treasurer is a good defense against theft. Treasurers should also serve a pre-determined maximum term of about three years. This brings in a fresh person to manage the finances.

When appointing a treasurer look for someone who is

- Honest
- Good with numbers
- Analytical and precise
- Organized
- Able to balance a checking account
- Able to create a spreadsheet or knows financial software like Microsoft Money, Quicken, or QuickBooks.

Open a Checking Account

Once a homeschool organization is larger than about five families it may have expenses such as postage, printing, materials, events, and even rent. I recommend opening a separate checking account to handle the group's funds. Most banks offer free checking to nonprofit organizations. Your bank may ask for your organization's Employer Tax Number. They may call it a "Tax ID number" or even an "IRS ID number." It is officially called an Employer Identification Number (EIN). This number is similar to a Social Security number for a business or organization. Even though your organization may have no employees and no dealings with the IRS, you need to get IRS Form SS-4 to obtain an EIN. To get your EIN, go to www.irs.gov and search for "EIN." You can print it out for mailing or you can apply by telephone at 800-829-4933, by fax, or online. Applying by mail will take 30 days. Applying online or by telephone will get you an EIN in minutes. One tip: under "Reason for applying," check the box "Banking purpose" and fill in the blank with "opening checking account." Another tip: under "Type of Entity," check "Other Nonprofit Organization" and put "Educational Organization" in the blank. Applying for an EIN with the IRS does

not mean that your group must file tax returns or have other contact with the IRS.

A responsible homeschool group should keep good financial records and prepare regular financial reports to a leadership board.

Here are some recommendations for checking accounts.

- Buy checks with duplicate papers. I strongly recommend this! I know of a homeschool group that didn't have duplicate checks. The treasurer got overwhelmed and didn't record the checks in the ledger. The group wanted to create accurate financial statements, but the bank wanted to charge \$5 per check to provide copies. Ouch! Get and use duplicate checks!
- Use checks in numerical order. Don't just rip off a check from the top of the next book. You'll never know if checks are missing or forged or lost.
- Do not allow the treasurer to write checks to herself. Another leader with check-signing privileges should make out checks to the treasurer when needed.
- Reconcile the checking account every month. Require the treasurer to give a reconciliation report to the leadership board on a regular basis.
- Have the bank account statements mailed to someone other than the treasurer. The director would be a good choice. Another set of eyes seeing the bank account information is sound financial management.
- Work with a bank that allows online checking. It makes downloading transactions very quick and easy. Your treasurer will not have to type into your software every check or ATM transaction.
- Only use a debit card if you have very responsible people who will

not mix personal and home-school group expenses. They must not be allowed to make purchases that are not in the budget.

Establish a Budget

Ideally, your organization should prepare a budget before your program year starts. Budgets are not only for tracking spending; they are for planning income also. List all the sources of income you can imagine (membership dues, class fees, fundraisers, etc.). Don't be too optimistic. Conservative estimates will serve you best. Next try to predict expenses such as postage, copying, building use rent, supplies. Think of everything you might spend money on. It is better to include too much in expenses rather than too little. Don't forget irregular expenses like insurance and website fees that may come only once a year.

Compare income to expenses and adjust until you have a balanced budget or even a small surplus as protection for the unexpected. If you cannot balance your budget, you have two choices: increase income or cut expenses. Recalculate your income with more membership dues. Try increasing dues 10% and then 25% until the budget balances. If you feel you cannot increase income, then cut some expenses.

On the top right is a sample budget for a homeschool organization with dues and co-op fees.

This sample organization has a small surplus of \$50 planned. That should cover any unexpected expenses or provide some cushion if income is lower than planned. The group also has several sources of income and listed every expense they could imagine.

Keep Good Records

A responsible homeschool group should keep good financial records and prepare regular financial reports to a leadership board. Records can be kept very simply on paper or in an electronic spreadsheet like Excel. If your group is small enough, paper records will work well. If your group has many transactions I recommend that you consider using a spreadsheet. Take a stack of papers (or spreadsheet pages) and give them titles for each item in your budget, such as Income, Rent &

SAMPLE BUDGET

| Income | | |
|---------------------------|-------------------|--|
| Contributions | \$ 25.00 | A generous family will make a gift |
| Program | \$1,000.00 | 10 families pay \$100 each for a co-op class |
| Member dues | \$ 250.00 | 25 families pay \$10 per year |
| Special events | | |
| Fundraiser | \$ 100.00 | Sell candy for a profit of \$100 |
| Parties | \$ 50.00 | 10 families will pay \$5 for a party |
| Total Income | \$1,425.00 | |
| Expenses | | |
| Teacher pay | \$ 200.00 | Pay an art teacher to teach at the co-op |
| Professional fees | \$ 100.00 | Pay a computer expert to set up a website |
| Rent & utilities | \$ 500.00 | Pay a church to rent space |
| Printing & publications | \$ 150.00 | |
| Other | | |
| Supplies | \$ 200.00 | |
| Insurance | \$ 125.00 | General liability insurance |
| Events | \$ 100.00 | Party supplies |
| Total Expenses | \$1,375.00 | |
| Net Income or Loss | \$ 50.00 | |

Utilities, Supplies, Special Events, and so on. Make columns on each sheet. Label them DATE, then CHECK NUMBER, DESCRIPTION, and finally AMOUNT. These will be where you record everything from your checking account and cash spending. A sample is shown below.

Many homeschool groups find that personal money management software like Microsoft Money or Quicken can be very helpful. The software works like an electronic checkbook and can create reports of income and expenses very quickly. Large groups find accounting software like QuickBooks is very helpful for keeping more complicated financial

records. I used QuickBooks when I was treasurer for my homeschool co-op of 40 families. Using QuickBooks made it simple to create reports showing income and expenses. It also allowed me to easily reconcile bank accounts, print invoices, and create budgets.

Prepare regular financial reports

Record keeping should be done regularly and then summarized into a financial report to be given to the leadership. The report should display all income received and all expenses paid. Financial reports

SAMPLE RECORDS OF INCOME AND EXPENSES

| Income: Program (Co-op) | | | |
|--------------------------|--------------|----------------------|------------------|
| Date | Check number | Description | Amount |
| September 5 | | Dues from 7 families | \$ 700.00 |
| September 20 | | Dues from 2 members | \$ 200.00 |
| Total for Program | | | \$ 900.00 |

| Expense: Supplies | | | |
|---------------------------|--------------|-----------------------|------------------|
| Date | Check number | Description | Amount |
| September 5 | 1003 | Art class supplies | \$ 75.00 |
| September 10 | Cash | Office supplies—paper | \$ 15.00 |
| October 30 | 1004 | Craft supplies | \$ 45.00 |
| Total for Supplies | | | \$ 135.00 |

should be prepared monthly or quarterly. It depends on the size of your group, the number of transactions, and the desires of the leadership board.

Some leadership boards like to see a report of actual income and expenses compared to the original budget. This is easy to display by adding another column to the Budget and labeling it "Actual." This tells the leaders if they are on track for staying financially sound. A Comparison of Actual to Budget Report answers the question, "How are we doing?" which is always on the mind of board members. They may ask, "How much of the total income planned have we received so far?" or "How much more do we need?" This helps the board make decisions about raising more money or cutting expenses to stay within the budget.

Below is an example of a Comparison of Actual to Budget Report. It repeats the Budgeted amounts and compares the actual amounts.

This group did well because their expenses stayed within their income. But we can see that compared with their budget, they didn't bring in as much income as they had hoped. They cannot spend ev-

erything they budgeted because they do not have enough income. They will need to keep a close watch on expenses. They could also consider another fundraiser.

Conclusion

Money management in your homeschool group may become more complex as the group expands, but the basic tasks of appointing a treasurer, establishing a budget, keeping good records, and preparing regular reports are the same for all organizations. Here are some resources to help you manage your homeschool group's money.

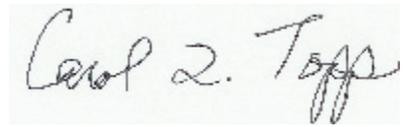
Resources

Money Management for Homeschool Organizations—a free ebook for download at www.HomeschoolCPA.com.

The Basic Guide to Non-Profit Financial Management available at The Free Management Library at www.managementhelp.org. Click on Finances (Nonprofit).

Information on QuickBooks at quickbooks.intuit.com.

Free ebooks on using QuickBooks in a nonprofit organization at www.realitycheckonline.com/freemanuals.html. 



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Sarah's note: It looks like the signature is just slightly cut off on the right

EXAMPLE OF A COMPARISON OF ACTUAL TO BUDGET

| Income | Actual | Budget |
|---------------------------|--------------------|--------------------|
| Contributions | \$ - | \$ 25.00 |
| Program | \$ 900.00 | \$ 1,000.00 |
| Member dues | \$ 250.00 | \$ 250.00 |
| Special events | | |
| Fundraiser | \$ 110.00 | \$ 100.00 |
| Parties | \$ 50.00 | \$ 50.00 |
| Total Income | \$ 1,310.00 | \$ 1,425.00 |
| Expenses | | |
| Teacher Pay | \$ 200.00 | \$ 200.00 |
| Professional Fees | \$ 110.00 | \$ 100.00 |
| Rent & Utilities | \$ 500.00 | \$ 500.00 |
| Printing & Publications | \$ 100.00 | \$ 150.00 |
| Other | | |
| Supplies | \$ 135.00 | \$ 200.00 |
| Insurance | \$ 125.00 | \$ 125.00 |
| Events | \$ 120.00 | \$ 100.00 |
| Total Expenses | \$ 1,290.00 | \$ 1,375.00 |
| Net Income or Loss | \$20.00 | \$50.00 |