

Franklin-Randall PTO Cash Flow and Capital Fund Guidelines

Approved by PTO Board on February 9, 2016

Background

The Franklin-Randall PTO currently has funding in reserves that has carried over from prior years. Both Board members and people from our broader PTO membership have raised important questions about the best use of these funds. This set of guidelines is intended to help both the current and future Boards with thoughtful financial decision-making.

Recommended Guidelines for PTO Cash Flow

When budgeting for a new fiscal year, adequate funding should be retained in PTO checking account to ensure adequate cash flow, especially before fundraising begins in the school year. Considerations for the end-of-fiscal year balance include:

1. Retain funds needed to cover expenses early in the following fiscal year, prior to when fundraising begins
2. In addition, retain approximately 10% of annual operating budget to cover unforeseen expenses or smaller-than-anticipated revenues in the following fiscal year.
3. Monies in excess of the amount needed to cover #1-2 above should be transferred to the Capital Fund.

Recommended Guidelines for the PTO Capital Fund

Remaining funds not needed to cover cash flow will be transferred to a separate account named the Capital Fund. An annual Capital Fund budget should be passed at the same September budget meeting as the Operating Fund. As with the Operating Fund, this budget process should be undertaken with opportunities for input from the general membership.

The following types of projects are appropriate uses for this fund:

1. Capital projects – this is the priority use of this fund, aimed at saving for larger capital projects
2. Investment in the schools' endowment held at the Foundation for Madison Public Schools
3. Budget requests not initially included in the approved operating and capital budgets (*see Guidelines for Off-Budget Funding Requests*)
4. Matching funds for external grants written for PTO and/or school projects

Note: please see "*Guidelines for Off-Budget Funding Requests*" for review procedures for expenditures of \$1,000 or greater from the Capital Fund that are not already included in the Capital Fund budget.