



*everychild.one voice.*

2023-2024

# LEGAL and FINANCIAL HANDBOOK

This booklet has been developed to provide PTAs with important information regarding the fiscal operation of the association.

***\*\* Information regarding the Attorney General's Charitable Organization/Solicitation filing has its own handbook that can be found on the Ohio PTA website\*\****

## Ohio PTA

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# **OHIO PTA FINANCIAL AND LEGAL MANAGEMENT HANDBOOK**

This booklet has been developed to provide PTAs with important information regarding the fiscal operation of the association.

All of the officers and chairmen of a PTA have a responsibility to ensure that the PTA is maintaining proper financial records, depositing funds in a timely manner, adhering to the budget, complying with the appropriate laws and reporting the status of all funds regularly. As a member of the Executive Board of any corporation, including a PTA local unit or council, it is the treasurer's responsibility to make sure that the unit or council is operating in a fiscally responsible and legally sound manner. This is not only a requirement of the bylaws, but is demanded by state and federal law.

While much of this responsibility is assigned to the treasurer, all elected officers are stewards of the association and the funds of the association. When appropriate checks and balances are neglected, many PTAs find themselves with questions about the management of the monies generated by and disbursed by the PTA.

This booklet has been divided into four parts: The Treasurer, Financial Record keeping, PTA Fundraising, and Your PTA and the Law. Each is necessary for the complete management of PTA funds, but each section can be separated from the booklet for distribution to the appropriate position in your PTA.

“The real working capital of a PTA lies not in its treasury, but in its members - in their energy, their resourcefulness, and their determination to advance the well-being of children and youth. The primary emphasis in PTA should be focused upon the promotion of the Purposes, not fundraising.” (National PTA Resource guidance)

## **UNIT AND COUNCIL SAMPLE BYLAWS ARTICLE III- BASIC POLICY**

a. The organization shall be noncommercial, nonsectarian, and nonpartisan.

d. No part of the net earnings of the organization shall inure to the benefit of, or be distributable to, its members, directors, trustees, officers, or other private persons except that the organization shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in ARTICLE II.

# THE PTA TREASURER

The treasurer is the authorized custodian of the funds of the association. The treasurer receives and disburses all monies as prescribed in the bylaws or as authorized by action of the association. The treasurer has a legal obligation to maintain accurate records.

The treasurer, an important officer of trust and responsibility in a local PTA unit or council, must be accurate, prompt, dependable, and attend all executive board meetings and general membership meetings of a local unit or council.

The Unit/Council PTA Bylaws' Article on Duties of Officers clearly lists the responsibilities of the treasurer and should be a part of the treasurer's records.

## TREASURER: TAKING OFFICE

- Be sure that the books have been financially reviewed before accepting them.
- Check the files and records received from the retiring treasurer. Ask about missing records at once.
- Familiarize yourself with the duties of the treasurer as outlined in the bylaws.
- Secure the signatures of new officers authorized to sign checks, and file the signature cards with the bank.
- Check on bonding and liability procedures for the unit/council.
- Read the *Ohio PTA Legal and Financial Handbook*.

## TREASURER: RELINQUISHING OFFICE

- Be sure that all state and national dues have been collected and forwarded to the Ohio PTA office.
- Balance the books in preparation for the financial review/audit. PTA financial books should agree with the bank balance; outstanding checks plus cash on hand.
- Prepare a financial report covering term of office.
- Prepare IRS Form 990/Form 990-EZ/Form or 990-N for filing.
- Prepare Charitable Trust Filing with the Attorney General.
- Arrange for transfer of all records, reports, and files to the new treasurer.
- Obtain signature cards from the bank so that the new treasurer may draw on funds without delay.
- Arrange for bonding as required by the unit, council, and/or Ohio PTA.

## TREASURER'S DUTIES

### The Treasurer must:

1. Carefully study all references to dues and finances in the local, Ohio PTA and National PTA bylaws. (A copy of the Ohio PTA bylaws may be obtained from the Ohio PTA office).
2. Keep an accurate and detailed account, in the treasurer's permanent book, of all monies received and paid out.
3. Submit a statement at regular meetings of the association, including total balance on hand at the beginning of the period covered by the report, and the separate amounts credited to the general fund, the state fund, the special funds (if the association carries any special funds); receipts, disbursements, balance on hand in each fund; and the total balance on hand at the date of the report.

**NOTE:** *Be prepared to answer all questions promptly and have financial records available at the meetings.*

4. Receive all monies for all accounts - local, Ohio PTA, and National PTA per capita dues, Founders' Day gifts, etc.

5. Deposit all monies in a bank approved by the executive committee/board of the association in the name of “\_\_\_\_\_ Parent Teacher Association, \_\_\_\_\_ Treasurer.” **Association funds should not be deposited in the personal account of the treasurer nor should they be deposited in the school activity account.**
6. Pay all bills by check (as opposed to cash), as authorized through the bylaws by the president, executive committee, and/or board of the association.
7. Keep the record of the national and state portions of membership dues and all other national and state monies separate from the record of the general funds of the local unit.
8. Forward to Ohio PTA monthly as applicable via Givebacks (formerly MemberHub)- the Ohio PTA and National PTA portions of membership dues, together with all monies that belong to the state and national organizations.
9. Cooperate with the membership chairman and the secretary in keeping an accurate list of the PTA members.
10. Preserve all vouchers, receipts, bank statements, and cancelled checks, and submit all of these to the financial review committee. (See “The PTA Financial Review”)
11. Deliver to his/her successor, unless the association has otherwise ordered, all books, papers, and correspondence pertaining to the office of treasurer, including the reviewed books, approved and paid bills, cancelled checks (or electronic statements), plans and procedures.
12. Maintain the treasurer’s permanent file, which stores cancelled checks (or electronic statements), paid bills, etc. for seven years. Refer to Records Retention Schedule in APPENDIX.

## **WORKING WITH THE MEMBERSHIP CHAIRMAN**

The treasurer and the membership chairman should work together to forward the state and national portions of the dues to the state office on a monthly basis as applicable.

The Ohio PTA and National PTA portions of the unit dues are **\$4.75** per member (**\$2.25** for the National PTA and \$2.50 for the Ohio PTA). The entire amount should be forwarded to the Ohio PTA via Givebacks (formerly MemberHub).

State dues payments for memberships are now payable directly to the state PTA via eCheck/ACH through Givebacks (formerly MemberHub), serviced by Stripe.

According to the Ohio PTA Bylaws, dues should be submitted to the Ohio PTA on a monthly basis; the initial payment of dues should be in the Ohio PTA office no later than September 30 to qualify for the Early Bird Award. Local PTA units who have not remitted dues by November 30 will be removed from the Ohio PTA mailing list; and declared a unit not in good standing. Article XV, section 5 of the Ohio PTA Bylaws states, “*Individual members of units not in good standing shall be entitled to attend the annual convention as non-voting delegates upon payment of registration fee in the amount determined by the Convention Planning Committee.*” March 15 is the deadline for dues to be considered an active unit.

## **WORKING WITH THE WAYS AND MEANS CHAIRMAN**

Because the unit share of per capita dues is ordinarily not enough to cover organization costs such as publications, hospitality, representation at convention and conferences, and "legitimate PTA expenses" such as leadership training, bonding insurance, etc., most units or councils conduct fundraising activities.

The first responsibility of the ways and means committee is to raise the amount of money needed to meet the unit budget. The second responsibility is to work cooperatively with the unit treasurer to account for receipts and disbursements for the activity. More details about the cooperation between the treasurer and the ways and means chairman can be found in the fundraising section of this booklet.

*The PTA is primarily an educational, child advocacy organization - not an organization founded to raise funds.*

## **CONTENTS OF THE TREASURER'S FILE**

1. A copy of the PTA unit or council bylaws and standing rules, with sections marked authorizing disbursements.
2. A copy of the budget adopted by members of the organization.
3. Receipt book to acknowledge money received by the treasurer.
4. Checkbook to disburse funds as authorized.
5. Treasurer's account book or ledger in which to keep the financial records of the organization.
6. Permanent IRS Identification Number (EIN) and the Ohio PTA IRS Group Exemption Number 2394 (GEN), copies of filed Form 990, 990-EZ, or 990-N and other required IRS forms.
7. Records of the Attorney General's Charitable Organization solicitation filings.
8. Permanent state sales tax information and reports filed with the state.
9. Current membership list.
10. The *Ohio PTA Legal and Financial Handbook*.
11. Refer to Records Retention Schedule for recommended retention of PTA legal and financial records.
12. Past three years of budgets.

## THE TREASURER'S REPORT

A treasurer's report consisting of receipts and expenditures is reported at each PTA meeting (both board and association).

- Start with the balance on hand at the beginning of the year, month, or last meeting.
- List all receipts in detail and total.
- List all disbursements, itemize, and total.
- The report should end with the balance on hand as of the date of the report. The report, when read at a regular meeting, should not be adopted but filed. The presiding officer says, "You have heard the report of the treasurer. Are there any questions on the report? If there are no questions, the report will be filed."

**NOTE:** Make copies for the president, secretary, financial review committee/auditor and the treasurer's procedure book.

### SAMPLE DETAILED TREASURER'S REPORT

Monthly Treasurer's Report of \_\_\_\_\_ PTA  
From \_\_\_\_\_ to \_\_\_\_\_

Balance on Hand (date) **\$ 502.38**

Receipts: Membership - 48 @ .25 (local portion) \$ 12.00

Spaghetti Dinner 530.00

Book Fair 43.19

Receipts for Month **\$ 585.19**

**TOTAL RECEIPTS \$1,087.57**

**Disbursements:**

President's Expense \$ 15.00

Honorary Achievement Award 50.00

Membership dues to Council 35.40

4th Grade Field Trip 19.53

Spaghetti Dinner: Supplies 161.91

Cafeteria Help 18.00

Book Fair 43.19

New Checks 8.00

**TOTAL DISBURSEMENTS \$ 351.03**

**Balance on Hand (Date) \$ 736.54**

(State and National PTA Dues Collected and Remitted to State: \$192.00)

Submitted by: \_\_\_\_\_, Treasurer

## **SAMPLE LEDGER**

<b>20XX</b>	<b>Newsletter</b>	<b>Receipts</b>	<b>Expenses</b>	<b>Balance</b>
				\$525.00
15-Jul	#801 Postmaster-Permit		\$ 40.00	\$485.00
15-Aug	#802 Postmaster-400 Newsletters		\$ 40.46	\$444.54
20-Sep	#806 Postmaster - 410 Newsletters		\$ 40.80	\$403.74
29-Sep	ABC Supply - Paper		\$126.20	\$277.54
<b>20XX</b>	<b>Carnival</b>	<b>Receipts</b>	<b>Expenses</b>	<b>Balance</b>
15-Sep	#2 Judy Means - Tickets	\$100.00		\$100.00
17-Sep	#805 Peg Way - Craft Material		\$ 72.19	\$ 27.81
20-Sep	#4 Judy Means - Tickets	\$264.00		\$291.81
21-Sep	#807 Judy Means - supplies		\$168.52	\$123.29
27-Sep	#8 Judy Means - Tickets	\$300.00		\$423.29
30-Sep	#810 XYZ Novelties - prizes		\$269.82	\$153.47
<b>20XX</b>	<b>Membership</b>	<b>Receipts</b>	<b>Expenses</b>	<b>Balance</b>
		<b>Total</b>	<b>Ohio PTA</b>	<b>Local Unit</b>
6-Sep	#1 Nancy Green - 29 members	\$145.00	\$116.00	\$ 29.00
20-Sep	#3 Nancy Green - 79 members	\$395.00	\$316.00	\$ 79.00
25-Sep	#5 Nancy Green - 100 members	\$500.00	\$400.00	\$100.00
27-Sep	#6 Nancy Green - 5 members	\$ 25.00	\$ 20.00	\$ 5.00
30-Sep	#811 Ohio PTA - 213 members		Total \$852.00	\$213.00

At the end of the PTA's fiscal year, you should close the financial records and prepare an annual financial report that includes a balance sheet and income statement covering the entire fiscal year. Give a preliminary annual report to the membership at the annual meeting. This report is for information only and is not officially adopted. The report becomes official after the audit has been completed and the audit report is officially adopted by the membership.

## SAMPLE ANNUAL FINANCIAL STATEMENT

**ACTUAL RECEIPTS:**

<b>Total Available Funds</b>	<b>\$4,025.00</b>
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<b>Ending Balance June 30, 20XX</b>	<b>\$1,436.00</b>
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# PTA BUSINESS PROCEDURES

All local PTA monies and other assets, including checking accounts, savings accounts, and certificates of deposit, are the property of the PTA unit. Treasurers who have custody of funds shall maintain complete records of their receipts and disbursements.

PTAs involved in various activities must recognize the responsibilities of the officers and members in conducting the affairs of the organization. Where appropriate, local PTA units may incorporate under state law in order to provide for continuity and for limited liability to officers.

## BANK ACCOUNTS

All PTAs must have a bank account in which to deposit funds. Accounts may include:

**Checking Accounts:** A checking account is the most common type of account for a PTA unit or council to have. Checks should be sequentially numbered and the name of the PTA printed on them. Most bonding companies require PTAs to have two signature checks. It is not uncommon for the signatures of the treasurer and the president to be on the checks. However, if necessary, there may be additional signatures on the account. Blank checks should never be signed and disbursed.

**Savings Accounts:** PTAs often have savings accounts or other types of accounts that earn interest (i.e. certificate of deposit). The investment of PTA funds in this way is prudent use and management of the PTA's money.

## TRADE NAME REGISTRATION

Recently, some units have experienced difficulty establishing new bank accounts, adding new signers to existing accounts, getting approved for programs such as AmazonSmile, etc. Many financial institutions are now strictly enforcing the name verification process for non-profit organizations and many are requiring non-profit organizations to register their trade name. This can be done through the Ohio Secretary of State by completing the following steps:

- Go to [ohiosos.gov/business/filing-forms--fee--schedule/#name](https://ohiosos.gov/business/filing-forms--fee--schedule/#name)
- Look for "File Name Registration Online at Ohio Business Central; if you click on this, you'll need to create a profile
- OR you could click on "Download Name Registration (PDF)"; this should open a fillable form 534A that can be mailed
- Be sure to choose the \$39 Trade Name Registration option
- The "date of first use" can be the date that the first bank account was opened, EIN established, or year your unit name was updated. It just has to be a date prior to the date of application.
- The registrant name would be PTA Ohio Congress or Ohio Congress of Parents and Teachers, and your trade name would be the name your PTA goes by, i.e., ABC Elementary PTA.
- As of now, the trade name should be renewed every 5 years at a cost of \$25.

It is important to note that it is not a requirement of Ohio PTA or the office of the Ohio Secretary of State. Some units have successfully changed banks or added new signees to their accounts without any difficulty. However, some units were not able to access their account for months until it was determined that the issue was a failed name verification, thus requiring their trade name registration. There is often no warning from the financial institution when their regulation changes will be enforced, therefore Ohio PTA encourages units to complete the trade name registration process.

## **ELECTRONIC MONEY MANAGEMENT**

Electronic money management tools can be useful for PTAs. They do require a greater emphasis on internal financial procedures and controls to avoid theft and fraud. Please note that neither National PTA nor Ohio PTA recommend the use of debit cards. If credit cards are used, a tight credit card policy should be established, shared with users, and strongly adhered to in order to mitigate misuse.

For payments made via an electronic platform, ensure that any receipts, confirmations, and reconciling documents are kept for transparency. These documents will need to be provided to the financial review committee at the time of the review.

As it is strongly advised to provide two signatures on a physical check, the same principal should be applied to an electronic payment. This can be achieved by utilizing a voucher/request for payment form that includes space for two signers to approve the request.

The use of electronic payment platforms is at the discretion of your unit/council. It is important to research the options and discuss them with your membership. Whether using a peer-to-peer platform or a small-to-medium business platform, it is important to understand its level of security and its terms. It would also be beneficial to learn whether or not your bonding provider will cover claims for funds lost through use of a certain platform.

Best practices for electronic payment methods include the following:

- Provide appropriate system access; everyone should have system access to perform their duties, but system access should be limited to what they need to do their job
- Establish dual administrators for all online accounts whenever possible
- Maintain a detailed and accurate account of all transactions; maintain all confirmation and reconciling documentation
- Reconcile accounts at least monthly; question unexplained reconciling items
- Put policies and procedures for financial management in writing; train all PTA board members on these processes and ensure these procedures are followed consistently; review policies and procedures annually

## **DEPOSITING FUNDS**

All funds should be promptly deposited into a bank account in the name of the PTA, which has been approved by the PTA's board/executive committee. Night deposits and 24-hour banking can and should be used as needed.

When a unit/council is planning a fundraising activity that will involve large amounts of money, the treasurer should arrange to deposit the money in the bank as soon after the conclusion of the project as possible. The chairman of the activity should be responsible for seeing that the treasurer receives all revenue immediately after completion of the activity. The revenue should be counted by at least two persons, one of these being the treasurer, and all should sign a statement verifying the amount. A receipt should be given to the chairman for the entire amount. If the project is a continuing one, the money should be deposited daily in the local unit bank account.

When the activity is conducted during a weekend or if large amounts of money have been collected from a fundraiser, the treasurer should contact local police authorities beforehand and ask if they will escort the treasurer to the bank. Contact the bank beforehand about the deposit and ask if they will furnish you with a lock bag to be placed in the night depository.

Never deposit any money in a person's personal account, the school district account, or leave the money in the school building or in someone's home.

All checks that are to be deposited should be marked "*For Deposit Only*" to the \_\_\_\_\_PTA, Account # \_\_\_\_\_" and signed by the treasurer with his or her title. The bank may furnish a stamp with this information,

upon request, for the unit/council to use. Duplicate deposit slips should be made so that the treasurer will have a copy to retain for the record.

The treasurer should complete a detailed report of all receipts and expenditures and the profit from the project within a few days after the conclusion of the activity and that report should be presented to the executive board and the membership at the meeting following the activity, either verbally or in printed form.

## **PRINCIPLES OF PTA FINANCIAL MANAGEMENT**

- There must be a properly approved budget.
- All units must be bonded (required bylaws, Sample Unit, Article VIII, section 5g).
- All funds are to be administered by the treasurer.
- Never sign a blank check.
- Double signature checks are strongly advised.
- Cash is never used; pay all bills by check as opposed to cash.
- All funds are deposited only into an authorized PTA bank account.
- Keep PTA funds separate from school funds or personal funds.
- Always issue a receipt for monies received.
- Two people should always count money and both should sign the receipt verifying the amount.
- Assure complete and accurate record keeping of all funds.
- Never record state or national portions of dues as unit income.
- A financial review of financial records is conducted at least annually.

## **FINANCIAL RECORD KEEPING**

### **BUDGET**

A budget is a guide, a simple statement showing a plan for obtaining funds and for allocating and spending funds.

#### ***Developing the Budget:***

The Ohio PTA recommends that the budget be developed during the planning period for the new officers (usually in the summer) and approved by the members at the first general unit meeting of the PTA year.

A finance or budget committee usually has the responsibility for developing a budget for the PTA. This committee may be elected or appointed according to the unit/council bylaws and usually consists of three or more members, one of whom is the treasurer, who acts as chairman. If some income will be dependent on profits from a fundraising event, consultation with the Ways and Means Chairman may be indicated during the planning process.

The committee should study the previous year's budget and financial reports to determine how well it accommodated the organization's needs. Next, the committee should determine their projected financial requirements, taking into consideration finances for programs, projects, and leadership development, and they should determine the source of funds to meet these needs.

### ***Approving the Budget:***

After the budget has been drafted, the chairman should present it to the PTA board/executive committee for consideration and then to the general membership for approval at the first general unit meeting of the year. A majority vote of the members present and voting is required for adoption. The budget may be presented item by item or seriatim to allow for discussion and amendment of each section.

### ***Amending the Budget:***

Since the budget is only a very educated guess or a guideline, it may be necessary, from time to time, to amend or adjust the budget. To amend an adopted budget, it is: 1) necessary to have a vote of the general membership present and voting; 2) if previous notice has been given, a majority vote of those present is needed; 3) if previous notice has not been given, a 2/3 vote is required. It is important to make adjustments on both sides of the budget (income and expense) when a budget is amended.

## **BOOKKEEPING / RECORD KEEPING**

There are several copyrighted systems providing simplified records, usually in a simple record book. These systems cover the basic records with complete instructions for their use. You can examine these systems at most office supply stores. There are also computer software programs available that your treasurer may wish to use.

A good record keeping system must be: 1) simple to use; 2) easy to understand; 3) reliable; 4) accurate; 5) consistent; and 6) designed to provide information on a timely basis. A sample ledger page can be found elsewhere in this booklet.

## **SAMPLE BUDGET**

### **ABC High School PTSA Budget 2017-2018**

<b>Acct No.</b>	<b>RECEIPTS</b>	
	BALANCE CARRY FORWARD	\$4,137.59
100	MEMBERSHIP REVENUES	\$1,500.00
130	BOX TOPS	\$500.00
140	CHIPOTLE FUNDRAISER	\$100.00
150	CRAFT FAIR	\$12,316.41
160	BAKE SALE AND RAFFLE	\$350.00
170	MISCELLANEOUS INCOME	\$0.00
180	COUNCIL PTA CALENDARS	\$50.00
<b>TOTAL RECEIPTS</b>		<b>\$18,954.00</b>

### **EXPENDITURES**

	CHAIRPERSON EXPENSES	
300	Reflections	\$100.00

310	Display Cases	\$25.00
330	Membership- Envelopes & Misc.	\$80.00
340	Membership Dues	\$1,425.00
350	Staff Appreciation- Fall Breakfast	\$120.00
355	Staff Appreciation- January Midterm Breakfast	\$120.00
360	Staff Appreciation - Spring Lunch	\$700.00
400	CONTINGENCY	\$300.00
410	COUNCIL DUES	\$275.00
420	CONVENTION	\$250.00
430	COURSES, LUNCHEONS & CONFERENCES	\$240.00
435	FESTIVAL OF TABLES	\$320.00
440	COUNCIL PTA CALENDARS	\$50.00
	DONATIONS	
510	Ohio Memorial Scholarship	\$40.00
520	Tri City Safety	\$25.00
530	Donation of Basket for PCPTA	\$50.00
	Community Scholarship Donation	\$50.00
600	INSTALLATION	
	Installer, favors/props, Sr. parent gift, . . .	\$200.00
610	Dinners- Incoming Pres., Pres., Principal & Installer	\$100.00
	OFFICER EXPENSES	
700	President	\$100.00
710	1st Vice President	\$75.00
720	2nd Vice President - Founder's Night	\$100.00
721	-Student Programs	\$1,500.00
730	3rd Vice President- Craft Fair Tables and Misc.	\$1,875.00
731	-Concessions	\$700.00
732	Bake Sale	\$10.00
740	Secretaries- Corresponding & Recording	\$125.00
750	Treasurer	\$50.00
760	- Bonding & Liability	\$129.00
900	Printing & Copying	\$200.00
	PROGRAMS	
1000	After Prom	\$1,000.00
1010	Renaissance	\$1,550.00
1015	Honors/Recognition- Seniors & Upperclassmen	\$600.00
1020	Scholarships - 5 @ \$900 Recipients	\$4,500.00
	Scholarship Dinners	\$500.00
	Scholarship Gifts	\$100.00
1030	Ohio PTA Achievement Award (State Life)	\$100.00
	-Gifts	\$50.00

1040	Paper/Supplies	\$100.00
1050	Box Tops Contests (2 \$50 prizes plus postage)	\$120.00
1500	Carry Over	\$1,000.00
<b>TOTAL EXPENDITURES</b>		<b>\$18,954.00</b>
Ohio PTA	<b>Membership Dues to Ohio PTA (not belonging to ABC PTSA)</b>	<b>\$1,425.00</b>

# **PROTECTING YOUR PTA FROM FINANCIAL LOSS OR LIABILITY**

## **LIABILITY INSURANCE**

PTA units and councils should consider the need for liability insurance when there are projects or activities that may result in potential hazard for PTA members, schoolchildren, or other third parties. This expense should be included in the budget when it is developed. Many school districts are adopting policies requiring school related organizations to acquire liability insurance. Ohio PTA has made coverage available through Association Insurance Management (AIM), though units/councils may choose their own insurance company. Forms can be sent to local units and councils upon request.

The important point to consider about obtaining liability insurance is the attitude of the general public about liability. More and more lawsuits are generated around incidents, which in the past would not have been heard in court. PTAs are no exception to these litigious actions. Contact the Ohio PTA office if you have questions.

## **BONDING COVERAGE**

Units and councils are required to secure a nonprofit institutional fidelity bonding policy. A “Blanket Bond” covers the treasurer and all other persons authorized to handle funds and securities of the organization. The expenditure involved in securing the bond is a legitimate expense for the local PTA unit or council and should be included in the annual budget.

A bonding policy (nonprofit institutional fidelity bonding policy) should be secured from a reliable insurance company at the time the officers sign the bank account signature cards and begin their term of office. Most large insurance companies will issue the unit/council a policy. The amount of coverage should be determined by taking the average of the unit’s gross receipts for the last three years. When requesting information on bonding policy, indicate the unit wants a nonprofit institutional fidelity bonding policy. The Ohio PTA has made coverage available through Association Insurance Management (AIM), though units/councils may choose their own insurance company.

The cost of the premium for bonding coverage is predicated on the amount of insurance required. The bonding agency may also require two signatures on the checks issued by the local PTA unit or council or it may require that someone who does not sign checks perform a monthly reconciliation of the bank account. Some bonding covers all officers and members.

## **COMPLIANCE ISSUES Federal and State**

### **FISCAL YEAR**

The fiscal year for the Ohio PTA and all its units and councils is:

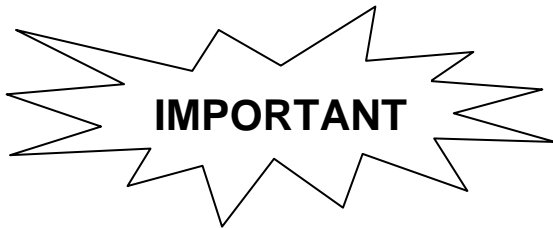
**JULY 1 THROUGH JUNE 30**

# PTA AND THE INTERNAL REVENUE SERVICE NONPROFIT STATUS

## NONPROFIT STATUS/FILING THE 990/990-EZ/990-N

The Ohio PTA is exempt from *federal* income tax under Section 501(c)(3) of the Internal Revenue Code. The Ohio PTA has secured a blanket IRS exemption for our local units and other constituent bodies. Every unit/council in the Ohio PTA is required to have an IRS Identification Number (EIN). That number should be part of the permanent record of the unit. The Ohio PTA keeps the number on file in the Ohio PTA office. *The Group Exemption Number (GEN) for units affiliated with the Ohio PTA is 2394.*

Local PTA units/councils are required to file an annual report of their revenue and expenses on Form 990, 990-EZ, or 990-N provided by the Internal Revenue Service. The responsibility of filing lies with the local unit. The IRS no longer sends out forms directly to your unit, so please go to [IRS.gov](http://IRS.gov) or [www.file990.org](http://www.file990.org) to file. Units/councils whose gross receipts (*all of the funds that flow through the accounts*) are in excess of **\$50,000** must file a 990 or 990-EZ return. If the unit is required to submit a completed 990 or 990-EZ, it must submit a Schedule A as well. PTAs with gross receipts below \$200,000 and year-end assets below \$500,000 may file Form 990-EZ instead of **Form 990**. **The form is due November 15.** Units/Councils whose gross receipts are less than **\$50,000** should file the 990-N. When a return is filed, a copy of the return should be maintained in the organization's files. If there are questions, local units/councils should ask for assistance from the Ohio PTA, and then, if necessary, discuss the problem with the IRS or with competent tax counsel.



## FILING STATUS

*The Internal Revenue Service has issued a regulation which requires all small, tax-exempt organizations whose gross receipts are normally **\$50,000** or less and previously were not required to file a Form 990-EZ to file an information form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations not required to File Form 990 or 990-EZ. The form will need to be filed by November 15 in electronic format only. **Any organization that fails to meet its annual filing requirement for three consecutive years will have its tax-exempt status automatically revoked by the IRS.***

The IRS website, [www.irs.gov](http://www.irs.gov), has the most current information about this change under the Charities & Nonprofits tab. This tab contains a list of Frequently Asked Questions that are very helpful. PTA leaders should become familiar with this major change and how it will affect local units. Also available on the Internal Revenue Web site are courses that instruct individuals on maintaining a nonprofit status. You may go to [www.stayexempt.org](http://www.stayexempt.org) to take advantage of online workshops including one on preparing an “error free” 990.

Ohio PTA is providing a **free** member benefit for units and councils. We have partnered with [File990.org](http://File990.org) to provide this free service for all units and councils to e-file their IRS 990 tax forms. As you know, non-profits including PTAs must file a 990 tax form with the IRS each year by **November 15**. **This free service will remind you to file and link you directly to file990.org's secure IRS approved filing site.**

It is important to note that any money generated from an event is considered to be a receipt of funds. Whether the PTA has made a profit is not relevant. IRS requires reporting of all receipts as gross income. Funds should not be held as cash to avoid reporting nor should they be diverted to other accounts to avoid reporting to IRS. All monies raised by a PTA are considered to be gross receipts except membership dues that flow to the Ohio PTA and the National PTA.



## **990 N E-POSTCARD FILING REQUIREMENT**

If you are a **FIRST TIME USER** – you will need to set up a profile. This is a one-time process. After this you will just sign in with username and password and file your 990N.

**SUGGESTION: WRITE EVERYTHING DOWN. KEEP THIS IN YOUR PERMANENT RECORD AND WITH THE TREASURERS MATERIALS.**

1. Fill in a name and email. This can be first name – ABC Elem and last name – PTA. For the email: If your PTA does not have a general email you might want to consider setting up one; either gmail, ymail or yahoo. This will need to be an email that will be monitored as your PTA may receive reminders and notices.
2. You will be asked whether you want the verification by phone or text. Once you choose the method, you will receive a code. Once you receive a code or text, enter in the box shown and proceed.
3. Set up a username and password.
4. Select a phrase that would be recognizable by the PTA.
5. Next there will be some additional security measures for you to follow. You will now need to select an image from those given.
6. Select 4 different question and answers – suggestion is to make these as general as possible to the PTA. The system will not allow you to repeat an answer.

At this point, you are finished creating the profile. Now you will set up the E Postcard profile for actually filing the tax.

1. Select Exempt Organization
2. Put in your PTA's EIN
3. It will say Ohio Congress of. Select okay and go to next screen. Here you will put in your PTA's name. Use the PTA President's address. This can be changed as needed.
4. For Principal Officer, type in PTA President and enter the same address.
5. Answer remaining questions.
6. Select SAVE
7. Select SUBMIT

## UNRELATED BUSINESS INCOME (UBI)

Most PTAs are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and further defined as a public charity.

Tax-exempt status means that the PTA does not pay *federal* income tax on income from activities related to the purpose for which the PTA was given exempt status.

It is important to remember that not all business income is subject to taxation; only “unrelated business income” as defined in the Internal Revenue Code. To determine whether an organization has unrelated business income, three factors must be present. The income must be:

- from a business;
- regularly carried on; and
- unrelated to the organization’s exempt purposes

The law requires nonprofits to:

- report unrelated business activities when gross receipts are at least \$1000 by filing IRS Form 990-T; and
- pay taxes on such income

### 1. *From a business:*

To be considered a business, the nonprofit must take an active role in the generation of the income from an activity. The activity must provide income, but does not have to produce a profit.

### 2. *Regularly carried on:*

IRS regulations state that activities which are carried on only “discontinuously or periodically” will not be considered to be regularly carried on. An activity occurring only once per year may be considered Unrelated Business Income (UBI) if a commercial company performing the same activity would also be active only once a year.

### 3. *Unrelated to the organization’s tax-exempt purpose:*

If an activity is not substantially related to the PTA’s Mission, then it could be considered unrelated to fulfilling the exempt purpose of the PTA. The relation to PTA activity cannot completely come from the PTA’s need for money.

The judgment as to whether an activity is related or unrelated can only be made on a case-by-case basis. For further information, call the Ohio PTA office.

Nonprofit organizations risk losing their tax-exempt status if such activities become the primary focus and make the tax-exempt mission secondary. The state president is responsible for the submission of state financial reports, as requested, to the National PTA and as required by the IRS.

**It is also important to note that Federal regulations and State regulations apply to all organizations whether or not they are PTA. Affiliation with the Ohio PTA and the National PTA provide local PTA units and councils with tax-exempt status. Other organizations, which have not acquired tax-exempt status from the Internal Revenue Service, are required to pay tax on their income and comply with State sales tax regulations.**

# PTA AND THE OHIO DEPARTMENT OF TAXATION/SALES TAX

As of January 1993, the Ohio PTA and its affiliated local PTA units and councils are exempt from paying sales tax on items purchased by the PTA. The Ohio PTA and its affiliated units and councils are exempt from collecting sales tax on items sold by the PTA if they abide by the limitations outlined by the Ohio Department of Taxation (Ohio Revised Code, Section 5739.02). Sales tax exemption forms are available from the Ohio Department of taxation website at [www.tax.ohio.gov](http://www.tax.ohio.gov). When seeking exemption from paying sales tax, it is suggested that you pay for the items with a PTA check.

## OHIO REVISED CODE AND SALE DAYS

Sales and Use Tax: Sales by School Support Groups and other Charitable Organizations

A change in Sub. H.B. 119 of the Ohio General Assembly expanded the authority of certain school-related organizations to make sales without being required to collect Ohio sales tax. Under prior law, non-profit organizations operated exclusively for charitable purposes and school-related groups such as student groups, parent-teacher associations and other booster organizations were permitted to make otherwise taxable sales exempt from the tax as long as the organization did not make sales on more than six days in any calendar year.

Effective July 1, 2007, Ohio Revised Code, Section 5739.02(B)(9) was amended to provide an exemption from Ohio sales tax for:

...”(b) The limitation on the number of days on which tax-exempt sales may be made by a church organization under division (B)(9)(a) of this section **does not apply to sales made by** student clubs and other groups of students of a primary or secondary school, or **a parent-teacher organization**, booster group, or similar organization that raises money to support or fund curricular or extracurricular activities of a primary or secondary school.”

This revision **eliminates the six-day restriction on sales tax for parent-teacher associations. As a result, PTAs will no longer be required to hold a vendor’s license or collect sales tax on their sales IN OHIO.**

## POLITICAL CAMPAIGN INTERVENTION BY 501(c)(3) ORGANIZATIONS: CONTRIBUTIONS TO POLITICAL ORGANIZATIONS

A section 501(c)(3) organization may not make a contribution to a political organization described in section 527 (such as a candidate committee, political party committee or political action committee (PAC)). Nor may such an organization establish and maintain a separate segregated fund under section 527.

<https://www.irs.gov/charities-non-profits/charitable-organizations/frequently-asked-questions-about-the-ban-on-political-campaign-intervention-by-501c3-organizations-contributions-to-political-organizations>

It is important to remember that a 501(c)(3) organization should not, as a substantial part of its activities, attempt to influence legislation or participate to any extent in a political campaign for or against any candidate for public office.

U.S. Department of the Treasury. Internal Revenue Service. (2021). *Publication 557: Tax-Exempt Status for Your Organization* (Cat. 46573C). Retrieved from <https://www.irs.gov/pub/irs-pdf/p557.pdf>

## PTA AND CHARITABLE CONTRIBUTIONS

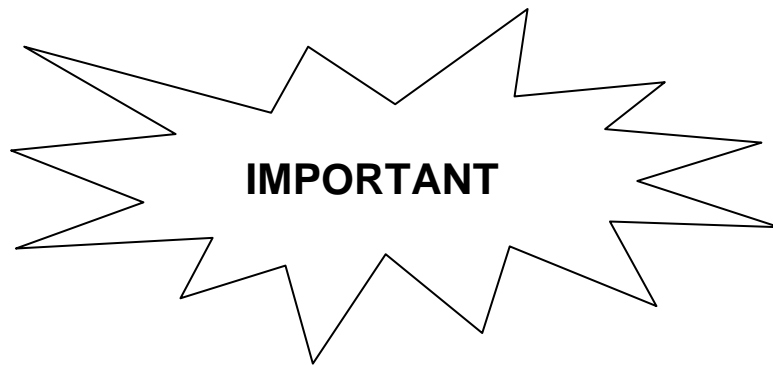
PTA members and contributors often assume any payment made to a PTA in conjunction with a fundraising event is tax deductible. Limitations exist on the deductibility of such payments.

Revenue Ruling 67-246 describes the IRS rules on charitable contributions. It emphasizes that when someone receives services or other benefits in return for payment given to a charitable organization *only* the portion of the amount that is greater than the fair market value of the benefit received can be considered a charitable contribution.

When a payment is over \$75, separate amounts must be stated in solicitations and clearly indicated on a ticket (or other evidence of payment) when a fund-raising activity is designed to solicit funds intended to be in part a gift and in part the purchase price of goods or services.

## OHIO CHARITABLE TRUST ACT

This is a requirement from the Ohio Attorney General's Office. If your PTA wishes to be recognized as a place that businesses and foundations know to be a true 501(c)(3) and legal in the state of Ohio to solicit support, you must file this. To not file may result in fines in the future!



**There is a Charitable Trust Solicitation Guide that is on the Ohio PTA website [www.ohiopta.org](http://www.ohiopta.org) the PTA Resources tab. This contains information on how to file. All PTAs must file every year.**

**Filing deadline is NOVEMBER 15**

# PTA AND THE LOCAL UNIT FINANCIAL REVIEW

Ohio PTA requires local PTA units and councils to submit financial books and records for a financial review at least once a year. Local unit bylaws should include: the number of reviews to be conducted each fiscal year; when reviews are to be conducted; the procedure for selecting financial review/ committee; and the number of committee members.

Members of the Executive Board may serve on the financial review committee providing that they are not authorized to sign checks. The treasurer and president (and anyone else with direct access to bank accounts) may not serve as members of the financial review committee, which is reviewing financial records that coincide with their term of office. The secretary who controls the minutes of the unit should not serve. Those members who handle large sums of money, i.e. ways and means, membership, and program chairmen should also refrain from serving on the financial review committee. There is no requirement that a PTA hire a Certified Public Accountant to perform its financial review; however, bylaws may indicate that a professional firm familiar with 501(c)(3) organizations may be retained to conduct the review.

The financial review committee should be in place no later than the last business meeting of the fiscal year.

Financial Reviews involve following financial transactions through records to be sure that receipts have been properly accounted for and expenditures made as authorized in the minutes and in conformity with local bylaws, standing rules, and budget limitations.

Financial records should be put in order for the reviewing process shortly before the end of the term of office. The outgoing treasurer cannot pay bills after the books are closed for review. Upon assuming office, the incoming treasurer may pay bills and deposit funds in the PTA bank account before the review is completed. The financial review/audit should be completed as quickly as possible.

## WHAT TO DO:

If the financial review is conducted by a committee, the committee must choose its chairman at its first opportunity, unless the chairman is appointed per the unit bylaws. The financial review committee chairman should confer with the treasurer, president, and committee members and set the date for the review. Once the date for the review is set, the financial review committee chairman should confirm the date with committee members, the treasurer, and president, and arrange for the financial records to be delivered.

Prior to the review, each member of the committee should review the procedures for conducting a financial review. The committee chairman may consider making assignments to committee members to facilitate timely completion of the review.

The chairman of the financial review committee should obtain the following items from the treasurer:

- Treasurer account book or bound ledger
- Unit check book
- Unit savings account book (if unit has one)
- Approved unit budget (and amendments)
- All Executive Board treasurer reports
- All General Meeting treasurer reports
- All bank statements
- All deposit slips
- All vouchers, bills and receipts
- Treasurer receipt book
- The previous financial review
- Annual financial report

The chairman of the financial review/audit committee should obtain the following items from the secretary:

- Minutes of all meetings
- Unit bylaws

## **STEPS TO BE FOLLOWED:**

1. Start the review with the records posted after the last review. Check the beginning balance on the financial review/audit report, checkbook, and general ledger book. All of these figures should match.
2. Examine each month's bank statement and its corresponding reconciliation. Make sure each month has been correctly reconciled.
3. Compare cancelled checks (as listed on electronic bank statement or online) against the general ledger entries and the checkbook; all dollar amounts should match exactly. Check off each check entry in the ledger and checkbook.
4. Match cancelled checks to corresponding vouchers or purchase orders. (Not every unit may use a voucher or purchase order system.) (A sample voucher form is included in this handbook.) Again, dollar amounts must match.
5. Make sure there is a bill, receipt, or invoice for each check. If no receipt or invoice exists, check the budget or minutes of meetings to substantiate reason for disbursement.
6. Check each deposit slip against general ledger entries, checkbook or bankbook entry, and corresponding bank statement. All dollar amounts should match. In some cases, several entries may have been combined into one deposit. Make sure all addition has been performed accurately.
7. Make sure all cash receipts issued by the treasurer match (or totals match) entries in the general ledger. (Treasurers should issue receipts for all funds received.) All receipts must be entered in the general ledger with a designation of committee and/or activity, i.e., membership dues, bake sale, fundraiser, etc.
8. Check the general ledger for any errors. Total all receipts and disbursements by month and fiscal year. Totals should match treasurer's annual (fiscal year) financial statement.
9. Check financial statement for errors. Make sure that beginning and ending balances correspond to the general ledger and checkbook.
10. Examine the financial review/audit report. The beginning and ending balances must match those of the general ledger and checkbook. Disbursement and receipt totals should also match the annual financial statement. Any outstanding checks or deposits should be listed.
11. Once the financial review/audit committee is satisfied that the general ledger, checkbook, annual financial statement, and review statement are correct, draw a line across the items where the financial review/audit concludes. All committee members should sign and date, the ledger, checkbook and review statement using a different color ink. (Examined and found correct. . . . (name). . . (date).)
12. The chairman should return all records to the current treasurer and secretary once the financial review is complete. It is a good idea for the financial review committee chairman to retain a copy of the review report and financial statement.
13. Once the financial review is complete, the financial review report must be presented to and adopted by the membership. The financial review report must be read at a general meeting by a member of the review committee or by the recording secretary. (Most PTA units or councils will accept the financial review/audit report at their first general meeting of the fiscal year.)
14. After the report has been read, a motion for adoption is made; the motion is put to a vote.

## **WHAT TO DO IF . . .**

### **The financial records are incomplete.**

If bank statements or canceled checks are missing, duplicates may be requested from the bank. (Duplicate statements are often available for low or no cost. Duplicate check copies may be expensive. Request and work from statements before determining whether copies of checks must be requested.) Committee reports and minutes of meetings can be useful in reconstructing some financial records. If the committee cannot seem to reconstruct the organization's financial records, consult your council or district advisor.

### **The general ledger (or the checkbook) does not balance.**

After the committee has made sure that all checks and deposits have been recorded correctly, make sure all credits or charges that appear on the bank statements have also been recorded in the checkbook and ledger. Work from the beginning of the year, correctly adding and subtracting all entries. If the unit has a large number of transactions, subtotal the receipts and disbursements by month. Make sure the bank charged or credited the checking account for the correct amount. Have more than one person check the figures.

### **There seems to be a lot of unauthorized or "over budget" expenditures.**

What the organization decides to do about this problem will depend on the dollar amounts and number of transactions involved. The budget is a guide for receipts and expenditures. Any additional expenditures, not provided for in the budget, must have had approval of the membership. The financial review/audit chairman should discuss the matter with the current president and treasurer. If there is no explanation about the additional expenditures, the president may wish to consult the district advisor for assistance.

**Any situation such as this should be handled discreetly. The committee chairperson should report to committee members the course of action taken by the president and the executive board. Please remember, a financial review/audit is not a subject for gossip.**

### **The records are all here, but they are very disorganized.**

Once the records have been examined and found to be accurate, the financial review chairman may suggest the unit or council adopt a voucher or check request system to speed the review process. The financial review committee may also recommend that reviews be conducted more than once a year because the number of transactions makes a single annual review too time consuming. These suggestions should be made discreetly, and by the financial review chairman.

### **The financial review committee is ready, but the treasurer always seems to have a reason why he/she cannot turn over records.**

Once the date for the review is agreed to, the financial review committee chairman should make arrangements to receive the records from the treasurer. If the treasurer repeatedly misses or ignores agreed upon dates and times, the financial review committee chairman should seek help from the president. The president or financial review/audit chairman should notify the treasurer when the records will be picked up. Again, this may be an instance when a call to the council president or district advisor may be in order.

### **Everything balances, but we have a few questions about some expenditures.**

Although the treasurer and president should not be present at the review, they should be available during the review to answer questions by telephone. The records should be self-explanatory, but if there are any questions about how or why something was done, take the time to ask. One telephone call will more than likely clear up any confusion.

## TIPS TO MAKE THE FINANCIAL REVIEW EASIER

**\*Review financial records more than once a year.** If the unit or council has a large number of transactions, reviews can be very time consuming. More frequent reviews may speed the process, and encourage more members to serve on the financial review committee.

**\*Make use of vouchers or check request forms.** Institute a system where a request for disbursement is completed, approved, and submitted to the treasurer before a check is written. A request for disbursement would have all the pertinent information concerning the transaction in one convenient place. Completing check requests also allows committee chairmen to more closely monitor expenditures. A sample form is included in this handbook.

**\*All original receipts or invoices should be stapled to check requests then submitted to the treasurer.** Attaching available receipts or bills allows the treasurer to easily verify the basis for disbursing funds. Having the receipt attached to the check request lets the financial review committee combine several steps of the review process.

**\*Each month after bank statements arrive and have been reconciled, attach all cancelled checks to the corresponding check request.** Once the cancelled check is attached to the check request, along with receipts or invoices, all the information concerning a specific transaction is in one place. When the check requests are placed in check number order, financial review committee members can compare the receipt(s), cancelled check, and check request to the ledger or checkbook in one easy step. This system also allows the treasurer to check transactions easily and quickly. These records can be easily filed by month, along with bank statements, reconciliations, and treasurers' report.

**\*If available, the treasurer may consider using a computer and accounting software to maintain financial records.** If the treasurer has access to a computer, accounting software may be obtained for a low cost. Even simple programs can provide a variety of record keeping options that will allow any organization complete and balanced records.

**\*Each treasurer should receive training that includes budget preparation, bookkeeping procedures, and financial statement preparation.** Being the treasurer for a PTA unit or council is not unlike being a bookkeeper for a small business. Businesses long ago realized that employees need appropriate skills to complete a task successfully. PTAs also have an obligation to provide those individuals in leadership positions with the necessary training. State conventions, district conferences and workshops, and council training sessions are a great place to start.



## **SAMPLE FINANCIAL REVIEW FORM**

Local PTA Name \_\_\_\_\_ Date \_\_\_\_\_

Council \_\_\_\_\_ District \_\_\_\_\_

Balance on Hand (date of last review).....\$ \_\_\_\_\_

Receipts (from last review to date of review).....\$ \_\_\_\_\_

Total Cash.....\$ \_\_\_\_\_

Disbursements (from last financial review to date of review).....\$ \_\_\_\_\_

Balance on Hand (date of review).....\$ \_\_\_\_\_

Latest Bank Statement Balance.....\$ \_\_\_\_\_

Checks Outstanding:  
(List check numbers)..... (Amounts)

Total Checks Outstanding.....\$ \_\_\_\_\_

Balance in Checking Account.....\$ \_\_\_\_\_

Date of Financial Review \_\_\_\_\_

We have examined the books of the \_\_\_\_\_ PTA and  
find them to be (please choose one of the following to complete the sentence):

☐ correct

☐ incomplete

☐ substantially correct with the following adjustments:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

☐ incorrect

Date review completed \_\_\_\_\_

Reviewers' signatures \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## **MISSING FUNDS**

Occasionally a PTA discovers (or suspects) that some funds may be missing. When this occurs:

### **Immediately conduct a complete and thorough financial review.**

1. This is the most basic, yet most important step. No proof that funds are missing - no proof of wrong doing exists - no allegations can be made - UNTIL the PTA can prove that funds are missing or have been mishandled.
2. The financial review committee is a committee that "investigates and reports." During its investigation, it can interview people as well as examine the books and records.
3. The financial review committee must report its findings to the PTA executive board not just to the executive committee. Its report to the board should be factual - stating what was found and also stating what remains unresolved.

### **The executive board must act on the report.**

1. If funds are found missing, the board has the legal obligation to take every reasonable action to recover those funds.
2. The executive board, not just the executive committee, must meet and agree on the action to take. Decisions must be based on sound business practices.
3. All action taken by the board must be "on the record" - recorded in the board's minutes.

### **The board must report the incident and the actions taken to the membership.**

1. The funds of the PTA belong to the membership, and as caretaker of those funds, the board is obligated to report any wrongdoing to the members involving those funds.
2. The principal/school district may be advised; however, this is PTA business and must be dealt with by the association.
3. Public or private statements should not be made, regardless of the severity of the situation or its public knowledge.

It is very likely that at some point in this process, the Ohio PTA will be contacted for assistance. It is recommended that all contacts regarding missing funds be referred to the state president.

Laws vary from city to city. Even if a PTA does not wish to file charges, a law enforcement agency may wish to do so. On the other hand, the law enforcement agency may not be interested in pursuing legal actions and other options may be advised. There are many paths to collection of stolen funds and this is where legal advice\*\* may be necessary.

## **PREVENTING THEFT IN YOUR PTA**

Incidents of theft, fraud, and embezzlement can and do occur. It is important to understand the meaning of theft, fraud, and embezzlement to utilize strategies to mitigate their occurrence.

### **Definitions:**

- Theft- The action or crime of stealing
- Fraud- Wrongful or criminal deception intended to result in financial or personal gain
- Embezzlement- To steal or misappropriate money placed in one's trust or under one's control

It is important to note that withholding is another way PTAs can be cheated out of funds. Withholding is not accurately reporting your members to PTA and paying dues for fewer members than you actually have. This deprives PTA of needed funds at the local, state, and national levels.

### **Warnings signs of theft:**

- Delayed reports
- Cash receipts show late deposit date
- Missing supporting documents
- Excessive corrections to the ledger
- Bounced checks when funds should be available
- Lifestyle changes of the person in charge of the funds
- Missing money on Friday, replaced on Monday
- Signatories are related to each other
- Checks made out to "cash"
- Not following internal controls
- Avoiding or delaying audit/financial review

These activities do not necessarily mean that theft/fraud/embezzlement has occurred. There may be a perfectly reasonable explanation. However, they may be a red flag; increased monitoring would be warranted.

### **Strategies for preventing theft, fraud, and embezzlement:**

- Ensure your unit/council has secured the appropriate bonding and liability insurance
- Someone independent of the check processing should receive the unopened bank statement and review the activity before passing it on to the person responsible for the reconciliation
- Reconcile bank accounts monthly; question unexplained reconciling items
- Provide appropriate system access; everyone should have system access to perform their duties, but system access should be limited to what they need to do their job
- Establish dual administrators for all online accounts whenever possible
- Maintain a detailed and accurate account of all monies received and paid out; maintain proper and complete storage of financial documents following the PTA Records Retention Schedule
- Put policies and procedures for financial management in writing; train all PTA board members on these processes and ensure these procedures are followed consistently; review policies and procedures annually
- Deposit funds in a timely manner; it is the association's money, and they should have access to it as soon as possible
- Cash should be counted by at least two people to ensure accuracy
- Prepare regular financial statements; a treasurer's report should be provided at every general meeting of the association

- Protect checks; store checks in a secure area, never pre-sign checks, limit number of check signers (signatories should not be related), use pre-numbered checks, watch for missing checks or checks used out of sequence, and do not make checks payable to “cash”
- Pay bills and fulfill requests for payment in a timely manner; mark invoices as “paid” and file accordingly; do not pay a photocopied or altered invoice; do not provide reimbursement without a receipt
- Never deposit your PTA’s funds into anyone’s personal account or the school account and never leave undeposited funds in the school building, someone’s home, etc.
- Do not allow other groups to deposit their funds through your PTA bank account
- Don’t be afraid to ask questions; do not assume you are the only one who does not know the background of a transaction; seek clarification as needed

#### **Steps to take if you suspect theft in your PTA:**

- Ensure the financial review committee performs a thorough review; determine who may be involved; committee should report to the membership at the next scheduled meeting or a special meeting could be called; names and identifying language should be excluded from the report
- Do not make accusations; false accusations could be considered libel or slander
- Determine suspect’s access to other resources; identify all accounts involved and consider freezing or closing them; change signatories as applicable
- Gather documents, facts, and information from interviews; obtain current bank statements directly from the bank
- Contact the authorities to file a police report; cooperate with the investigation
- Provide all requested documents to the authorities conducting the investigation
- Contact the insurance company to file a claim
- After the police investigation has concluded, if the authorities have provided options, present those options to the membership; the membership should vote to determine which option to follow
- Contact Ohio PTA
- The PTA should continue to adhere to their Code of Ethics and Conflict of Interest agreements

*\*\*This information is not intended to provide legal advice but to give direction regarding the decision-making process and issues related to the mishandling of PTA funds. PTA leaders are encouraged to obtain the necessary legal advice pertinent to local laws.*

## **USE OF PTA FUNDS**

In order to ensure you are using PTA funds properly, you must be thoroughly familiar with the PTA mission and purposes. You will find this information in your PTA bylaws.

Although helping children and families in need with PTA funds feels like the right thing to do, it is not the primary mission of PTA to provide this type of assistance. PTA funds should always be used for PTA work and the purposes and mission of PTA as outlined in the bylaws of this association. PTA funds can never be used to help individuals regardless of the circumstances. PTA does not raise money for PTA activities and then allow that money to be diverted into other channels – for example, donations to other organizations. This is not only for ethical reasons on behalf of its membership, but a mandate for the protection of the PTA 501(c)3 status. Before approving proposals for material aid to the school or community, a PTA should consider whether or not the proposed equipment or service is a public responsibility. PTAs may initiate and operate new services until their value has been demonstrated and public agencies may take them over. In emergencies, PTAs may provide for the pressing needs of children and youth while they work to arouse the public to its obligations. Such action would need the full sanction of school authorities.

Every PTA should have its own program to promote children’s well-being, home-school cooperation and community betterment, and PTA funds should be used for that program.

Many PTAs have a policy of making some presentation at the end of the school year. Some have appeared to be costly and were sometimes in an area where the gift of equipment should have been supplied by the board of education. The PTA should initiate any proposal for a gift. It should not be the basis for a request by a school staff member unless the PTA has requested input regarding the gift from the staff.

The PTA should consult with the principal before giving a gift to the school to determine whether the school wants the gift, whether the board of education will accept the gift and if the gift will require training to use, or needs to be insured and maintained.

Once a gift is given to a school, it becomes property of the school district and can be moved, used, etc. at the discretion of the district. A PTA gift of money or equipment to its school may have the unwanted effect of creating or increasing inequalities among the community's schools.

A PTA might purchase an enrichment item, which will add to the program of the school. These are classified as items not normally purchased by the board of education for the school use - equipment that could supplement that provided by the board of education. An example could be in the area of visual aids equipment.

A PTA could purchase items for school beautification inside and outside the building above normal board expenditures. Any item of this classification must have advance approval by the business manager or administration and would not be in the nature of a capital improvement.

Items for PTA and faculty use at social functions or to be used by students at parties are appropriate. Examples are card tables, punch bowls, coffee pots, chinaware, and similar items.

Instructional items adding to the general program of the school are often needed. Some school equipment can be added where the allocation made by the administration does not satisfy the faculty or the principal's idea of needs in this area.

Prior to purchasing equipment and materials:

- Determine that the school district actually wants the equipment.
- Learn the district's policies about accepting donations and respect them.
- If the PTA desires the equipment to remain at a specific school location, secure an agreement in writing with the school district to leave the equipment at that specific location.
- Secure an agreement with the school district that will execute a hold harmless agreement with the PTA. See the sample at the back of this booklet.

The real working capital of a PTA or PTSA lies not in its treasury, but in its members - in their energy, their resourcefulness, and their determination to advance the welfare of children and youth.

## **USE OF GIFT CARDS**

In May 2020, National PTA offered the following guidance addressing IRS regulations and accounting practices regarding the use of gift cards.

### *Proper Use of Gift Cards*

It is acceptable for a non-profit organization to use gift cards with a reasonable value to incentivize individuals to take a survey, attend an event, show appreciation, etc. The non-profit organization treats the gift cards as cash and should carefully control their use by keeping a log of the gift cards purchased, which would contain the date the gift card was purchased, gift card number, dollar amount, description or store reference. When the gift cards are distributed the log should be updated with the date the gift card was provided and the name of the individual receiving the gift card. The log should be validated by another individual in order to protect the organization and individuals handling gift cards.

### *Gift Cards as Taxable Income*

If there is an employer/employee relationship and the employer gives a gift card to an employee, it is taxable income. The PTA is not the employer of teachers, who work for a school. However, if a non-profit organization were to give \$600 or more in a calendar year to an individual, then a Form 1096 and 1099-MISC would need to be filed by February of the following year. The gift would be characterized as “Prizes and Awards” on the Form 1099-MISC. This should not occur in the case of a PTA if they occasionally (2 or 3 times a year) use gift cards and the value is reasonable (\$25 or less).

Ohio PTA recommends that units/councils minimize the use of gift cards and explore other ways to incentivize individuals to take a survey, attend an event, show appreciation, etc. If gift cards are used, careful tracking and documentation must be performed, and units/councils should develop a gift card policy that is shared with the membership body and reviewed annually.

## **LEGAL RESPONSIBILITIES OF YOUR PTA**

As a member of the Executive Board of any corporation, including a PTA/PTSA local unit or council, it is your responsibility to make sure that the unit or council is operating in a fiscally and legally sound manner. This is not only a requirement of the bylaws, but is required by state and federal laws.

When you become a board member, you are legally obligated to conduct yourself in such a manner to preserve and protect the association.

If you, as a board member, fail to exercise prudent, proper, and reasonable caution and care, you leave yourself open to criticism from your peers and even to potential personal liability for financial losses or mismanagement that occurs during your term as a board member.

### **LEGAL DOCUMENTS NOTEBOOK**

The Ohio PTA suggests that every PTA/PTSA local unit or council maintain a Legal Documents Notebook. This is a notebook into which PTA places all documents relating to the legal status of the unit or council. All materials marked PERMANENT RECORD should be in this notebook.

The notebook is important enough that there should be one for each officer. Standing rules should indicate who is responsible for keeping these notebooks updated and for stating who shall have one of these notebooks.

### **SUGGESTED CONTENTS:**

1. The unit/council charter (or a copy)
2. Local PTA unit/council number from Ohio PTA
3. Current copies of:
  - Ohio PTA Bylaws*
  - Local Unit Bylaws*
  - Council Bylaws*
  - Local Unit/Council Standing Rules*
4. Incorporation information and material (if applicable)
5. Internal Revenue Service material
  - Any correspondence*
  - Local unit/Council EIN (Employer Identification Number)*
6. Ohio State Sales Tax Information
7. Certificate of Insurance

*Mandated Nonprofit Institutional Fidelity Bonding Policy  
Liability Insurance Policy*

8. Bank Account Information and Material  
*List of banks where PTA has an account and account numbers  
A current list of authorized signatures of check signers and a list from previous three years*
9. Publications  
*Ohio PTA Legal and Financial Management Handbook*
10. Contracts  
*Any contract or agreement into which unit/council has entered*
11. Most recent financial review report
12. Any other material or information the PTA feels is important to its legal status.

## FEDERAL TAX REGULATIONS

Each local unit and council of the Ohio PTA is exempt from paying *federal* income tax under Section 501(c)(3) of the Internal Revenue Code. Every unit/council affiliated with the Ohio PTA is required to obtain an IRS identification number referred to as the Employer Identification Number (EIN). That number should be part of the permanent record of the local unit/council and is on record in the Ohio PTA office.

Local PTA units/councils are required to file an annual report of their revenue and expense on Form 990 provided by the Internal Revenue Service. PTAs with gross receipts (all the money which flows through your books) below \$200,000 and year-end assets below \$500,000 can use Form 990-EZ. IRS no longer sends such forms to tax-exempt organizations, and the **responsibility of filing lies with local units/councils**. Form 990-EZ filers will be required to file electronically for tax years ending July 31, 2021, and later. Filing of 990-N is required for units/councils with annual gross receipts of **\$50,000** or less. A copy of the return sent to the IRS office should be maintained in the organization's permanent records. In the event of questions, local units should ask for assistance from the Ohio PTA, and then, if necessary, discuss the problem with the IRS or with competent tax counsel. The Ohio PTA recommends that units/councils seek professional advice when filing the IRS Form 990. The deadline for filing IRS Form 990 and Schedule A, 990-EZ, or 990-N is on the 15th day of the 5<sup>th</sup> month after the close of the organization's fiscal year. The fiscal year end for all PTA units and councils is June 30 so the form is due November 15. A penalty may be assessed if your tax form is filed late.

The IRS Form 990 or 990-EZ and the Schedule A form are available online at [www.irs.gov](http://www.irs.gov). The 990-N is an e-Postcard and can only be filed in an electronic format online at [www.irs.gov](http://www.irs.gov) or [www.file990.org](http://www.file990.org).

The IRS Form 990, 990-EZ, or 990-N return must be made available for public inspection upon request.

The IRS is currently reviewing all tax-exempt and non-tax-exempt organizations very closely. This includes PTA units and councils. If the unit/council followed the procedures outlined in this publication, and IRS publications, there should generally be very little problem with IRS.

**It is important to point out that IRS rules have to do with the funds of the PTA – not how many sales a PTA has.**

### THE IRS AUDIT

In the event of an IRS audit, a PTA exempt under Section 501(c)(3) would be required to show how much of its activities both in funds and in member hours were expended on legislative activities. All PTAs exempt under this section should maintain records indicating:

1. Members' volunteer hours spent on legislative activities, including the name of the member(s), type(s) of activity, and date(s).
2. Amount of PTA funds spent on legislative activities - which includes the amount the PTA unit or council may have contributed to a school levy or bond issue campaign.

Currently, there are three basic methods of auditing that the IRS uses:

1. **Mail Audit** - a specific item is questioned and can easily be verified by submitting the requested documentation through the mail.
2. **Office Audit** - IRS conducts the audit at its own office.
3. **Field Audit** - the audit is conducted at the organization's place of business.

If a PTA is to be audited, it will be notified by mail. The "audit letter" will specify the method of examination and which records will need to be assembled to substantiate items reported on the Form 990/990-EZ/990-N.

**Promptly respond to any correspondence from the IRS.** Answer only the questions asked. In letters to the IRS, include taxpayer's identification number and the document locator number shown on the IRS correspondence. Send all replies by certified mail, retaining a copy for the files.

- All PTAs should maintain consistent and accurate records for a minimum of seven years. The best defense against an IRS audit is an accurate, properly documented return. In any event, it is important to know that a PTA is tax exempt and if the unit is not subject to pay income tax on any receipts unless it has engaged in a fundraising activity that has generated unrelated business income. (See the Section on Fundraising)

## STATE SALES TAX

The Ohio PTA and its affiliated local PTA units and councils are exempt from paying sales tax on items purchased by the PTA. The Ohio PTA and its affiliated units and councils are exempt from collecting sales tax on items sold by the PTA if they abide by the limitations outlined by the Ohio Department of Taxation. This topic is discussed in the Record Keeping section of this handbook.

## VOLUNTEER HOURS

All units and councils affiliated with the Ohio PTA are requested to maintain a record of hours of volunteer service by members of the local PTA unit/council and to submit a report of those hours to the Ohio PTA at the close of the PTA year. This record of volunteer service provides an indication of types of activities in which the unit/council is engaged and helps to substantiate the eligibility of the unit/council nonprofit status. A report form is available on the Ohio PTA website.

## PTA BUSINESS PROCEDURES

The treasurer is the officer responsible for the funds of the unit/council. Any other officer or chairman who is receiving money at some time during the year should immediately give the money to the treasurer. A receipt should be received from the treasurer for the exact amount.



All local PTA monies and other assets, including checking accounts, savings accounts, and certificates of deposit, are the property of the PTA unit. Treasurers who have custody of funds shall maintain complete records of their receipts and disbursements.

## **HIRING PERSONNEL**

PTA units/councils may hire employees without jeopardizing their nonprofit or tax-exempt status. Hiring employees and becoming an employer, however, places additional legal requirements on the unit/council.

To avoid the filing and reporting requirements, as well as the expense of being an employer, it is sometimes possible for a PTA unit/council to retain the services of an independent contractor.

The unit/council should consult both federal and state laws when it considers hiring personnel.

## **STATEMENT FOR RECIPIENTS OF MISCELLANEOUS INCOME - IRS FORM 1099-MISC**

PTAs may be required to file Form 1099-MISC with the IRS if they pay \$600 or more during the calendar year to any unincorporated business or person for services rendered.

Form 1099-MISC is not required to be issued to corporations or to those paid less than \$600.

For information regarding specifically when and how to file, a copy of the instructions for Form 1099-MISC may be obtained from the IRS.

Form 1099-MISC must be sent to the recipients on or before January 31 of each year and filed with summary form 1096 to the IRS on or before February 28 of each year.

## **MUSIC LICENSING**

Since the early 1900s, authors and composers of music have had the right to collect royalties for the "public performance" of their works. In 1986, this became an issue involving meetings, trade shows, and conventions. Although such public performances have been subject to copyright laws, they had not necessarily been subject to licensing laws.

Under copyright law, the public performance of copyrighted music requires permission from the copyright owners, American Society of Composers, Authors and Publishers (ASCAP) or Broadcast Music Incorporated (BMI) or the licensing agent. Violators of the copyright law could incur penalties of up to \$100,000 for each piece of music.

If a unit uses copyrighted music at a meeting, it will need to pay a fee to obtain permission to use the music. To comply with the law, a PTA can:

- Sign the BMI or ASCAP agreement or both;
- Negotiate an agreement with the appropriate licensing agent; or
- Approach the copyright owner of the music for a license.

It is important to note that no organization is obligated to sign these agreements. In fact, these alternatives are available:

- Use only music in the public domain and not subject to copyright, such as: "Take Me Out to The Ball Game"
- Use only music which is contained in the music library that is licensed apart from ASCAP and BMI

Contrary to popular belief, musicians, hotels, and others are not licensed to allow performance of music. It is the obligation of the organization to obtain, maintain, and pay royalties in accordance with the music licensing agreement and copyright law.

## CONTRACTS

In the ordinary course of business, whether for a fundraising activity, the rental of equipment, the purchase of supplies, leasing a meeting room, or hiring a band, most PTA units enter into a variety of contracts. Each time the PTA enters into a contractual arrangement, the unit assumes the responsibility to conform to and abide by all the terms and conditions of the contract. Whether an activity is a financial success, whether the unit has sufficient funds to pay its obligations, or whether the unit understood the terms of the contract, all have no effect on the responsibility assumed.

Contracts may be written or verbal. **Written contracts are best and are recommended.** Written contracts enable the PTA to see and read the terms of the agreement. Written contracts can only be changed in writing.

Prior to entering into a contract on behalf of the unit, some things to be considered are:

1. Has the executive board or the membership authorized the contract?
2. Does the person negotiating the contract have that authority?
3. Are all the terms and conditions of the contract clearly defined and understood?
4. Are all the terms of the contract agreeable to the unit?
5. Can the unit comply with all the terms of the contract - even in the worst case?
6. If this is a fundraising contract, has the unit/council studied The Ohio PTA Legal and Financial Management Handbook?

## HOLD HARMLESS AGREEMENT

For PTAs who contribute equipment or material to the school district, the "hold harmless agreement" serves two purposes. First, it transfers ownership of material or equipment from the PTA unit to the school district. Secondly, it provides that the district will assume the responsibility of ownership, which includes the responsibility for installation, operation, and maintenance of the equipment. If someone is injured while using the equipment, the district will be responsible.

**If the district is not willing to execute a 'hold harmless agreement,' the PTA unit/council should not purchase the equipment and give it to the district.**

Though PTA units normally transfer ownership of purchased equipment to school districts, this is not required. It is permissible for PTA units to retain the ownership of the equipment. Under these circumstances, the unit assumes the same responsibilities of ownership (including operation and maintenance) as the district would assume if it accepted ownership. This also means that the PTA assumes the liability if the equipment is stolen. If the equipment is to be installed on school district property, however, the district must formally give permission for the equipment to be installed.

Occasionally, a district will refuse to sign a "hold harmless agreement," or it may wish to purchase the equipment itself but have PTA pay for it. In these instances, PTA may consider giving a grant to the district for the purchase of the material or equipment. A gift of money, for a very specific purpose, does not require a hold harmless agreement because PTA does not directly deal with the equipment - thus, it incurs no liability for the product.

## **SAMPLE HOLD HARMLESS AGREEMENT**

The \_\_\_\_\_ PTA presents to the \_\_\_\_\_ school district, the following described equipment: \_\_\_\_\_

The School District hereby agrees to:

1. Accept ownership of the above described equipment
2. Accept responsibility for the installation, operation and maintenance of the above described equipment
3. Hold the PTA harmless from any claim or lawsuit arising from damages caused by or from the use of said equipment
4. Keep the above described equipment at \_\_\_\_\_ for a period of no less than \_\_\_\_\_ years
5. Signatures: \_\_\_\_\_  
\_\_\_\_\_

## **SAMPLE GRANT AGREEMENT**

The \_\_\_\_\_ PTA hereby gives to \_\_\_\_\_ School District a monetary grant (check # \_\_\_\_\_) in the amount of \$ \_\_\_\_\_ for the sole and express purpose of \_\_\_\_\_.

It is agreed between the parties that the grant will be expended by the school district on or before \_\_\_\_\_.

Any unused portion of the grant will be returned to \_\_\_\_\_ PTA. It is further agreed that failure by the district to fulfill the terms of this grant as specified herein and by the date stated herein will result in the grant being returned in full to \_\_\_\_\_ PTA.

(This agreement should be dated and signed by the school district superintendent or school board president and by two elected PTA officers.)

## Appendix

The use of a voucher/request for payment form is recommended to provide transparency and substantiation for payment of an expense. If a payment will be made by check, two signatures are strongly recommended. If a payment is being made by eCheck/ACH, two signatures can be provided on a voucher/request for payment form. The two signatures should be signers on the account.

### SAMPLE VOUCHER/REQUEST FOR PAYMENT

\_\_\_\_\_ PTA

Date: \_\_\_\_\_ Amount: \_\_\_\_\_

Make Payment to: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Service or Items This Request Covers: \_\_\_\_\_

Committee/Officer: \_\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

*Attach any original receipts, invoices, or other documentation to substantiate payment.*

*NOTE: Sales tax will not be reimbursed.*

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#### FOR TREASURER USE ONLY:

Date Paid: \_\_\_\_\_ Amount Paid: \_\_\_\_\_ Check #: \_\_\_\_\_

Budget Line Reference: \_\_\_\_\_

ALL REQUESTS FOR PAYMENT MUST BE TURNED WITHIN \_\_\_\_\_ DAYS

## RECORDS RETENTION SCHEDULE

It is very important that certain records be retained. It helps to develop a records retention policy. Listed on this page are items that should be reviewed on a periodic basis and kept in a safe place. Purged records should be shredded.

RECORDS TO BE RETAINED	RETENTION PERIOD
Accounts payable records .....	7 years
Annual financial review reports .....	Permanently
Articles of Incorporation.....	Permanently
Bank reconciliations .....	1 year
Bylaws, including all amendments .....	Permanently
Cash receipt records .....	7 years
Checks (canceled, but see exception next line) .....	7 years
Checks (canceled) for important payments, i.e., taxes, special contracts, etc. (checks should be filed with the papers pertaining to the transaction) .....	Permanently
Contracts & leases (expired).....	7 years
Contracts & leases still in effect .....	Permanently
Corporation reports filed with the secretary of state.....	Permanently
Correspondence with customers or vendors .....	1 year
Correspondence (general) .....	3 years
Correspondence (legal) .....	Permanently
Duplicate deposit slips .....	1 year
Employee records (post-termination), if applicable .....	3 years
Employment applications, if applicable.....	3 years
Equipment owned by the PTA.....	Permanently
Financial statements (year-end) & budgets.....	10 years
Grant award letters of agreement.....	10 years
Insurance records, accident reports, claims, policies, certificates .....	Permanently
Inventories (products & materials) .....	7 years
Invoices .....	7 years
Journals .....	Permanently
Minute books of directors & committees .....	Permanently
PTA charter.....	Permanently
Petty cash vouchers.....	3 years
Purchase orders .....	7 years
Record retention policy.....	Permanently
Sales records .....	7 years
Standing rules (current) .....	Permanently
Tax-exempt status documents.....	Permanently
Application for tax exemption (federal and state)	
Letter of determination (recognition) of tax-exempt status (federal and state)	
Group tax exemption documents, if applicable	
Letter assigning IRS Employee Identification Number (EIN)	
Form 990/990-EZ and Schedule A, or form 990-N (e-Postcard), as filed with IRS	
State tax information returns, as filed	
Form 990-T, if applicable, for unrelated business income	
Correspondence with IRS	
Other information returns filed with the government	
Charitable Solicitation Registration, if applicable	
Trademark registrations .....	Permanently
Vouchers for payments to vendors, officers, etc. (includes allowances & reimbursements to officers, members, etc., for travel & other expenses) ....	7 years

# STATE TAX EXEMPT FORM

Please refer to the Ohio Department of Taxation website at [www.tax.ohio.gov](http://www.tax.ohio.gov) to download or print the *Sales and Use Tax Blanket Exemption Certificate*, Form STEC B.



STEC B  
Rev. 3/15

## Sales and Use Tax Blanket Exemption Certificate

The purchaser hereby claims exception or exemption on all purchases of tangible personal property and selected services made under this certificate from:

\_\_\_\_\_  
(Vendor's name)

and certifies that the claim is based upon the purchaser's proposed use of the items or services, the activity of the purchase, or both, as shown hereon:

***Purchaser must state a valid reason for claiming exception or exemption.***

\_\_\_\_\_  
Purchaser's name

\_\_\_\_\_  
Purchaser's type of business

\_\_\_\_\_  
Street address

\_\_\_\_\_  
City, state, ZIP code

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date signed

\_\_\_\_\_  
Vendor's license number, if any

Vendors of motor vehicles, titled watercraft and titled outboard motors may use this certificate to purchase these items under the "resale" exception. Otherwise, purchaser must comply with either rule 5703-9-10 or 5703-9-25 of the Administrative Code. This certificate cannot be used by construction contractors to purchase material for incorporation into real property under an exempt construction contract. Construction contractors must comply with rule 5703-9-14 of the Administrative Code.