

STRICT GUIDELINES FOR PROJECT GRADUATION PROGRAMS

The Hawaii State PTSA wholeheartedly supports the purposes and goals for which high school project graduation programs were originally established, i.e. to provide a safe, drug-free, and alcohol-free environment for our high school graduates in celebration of their accomplishments. We further support the desire of our local units to conduct and sponsor project graduation programs at their schools.

Two critical issues that have come to our attention are cause for concern and must be addressed.

- ❖ The magnitude of project graduation programs, the amount of monies usually generated through individual and corporate sponsorship, and the form of activities conducted both before, during and after these events, exposes local units to extremely high liability. Because we are covered under a group liability policy, this exposure extends to the Hawaii State PTSA and all its local units as well.
- ❖ It has come to our attention that there are several local units that have allowed their project graduation committees to operate as separate units (only for purposes of blanket liability insurance coverage and charitable, tax-exempt status for donors & contributors) rather than as an established, accountable committee of the PTA.

For these reasons, the Hawaii State PTSA has developed strict guidelines for its local units wishing to conduct and sponsor such programs.

All references to PTA (Parent, Teacher Associations) shall apply to local units established as PTSA's (Parent, Teacher, Student Associations) as well.

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I. GENERAL GUIDELINES

By-Laws - Local PTA unit bylaws, as approved by the Hawaii State PTSA, shall govern the organization and dictate which types of activities may be conducted based on specific goals and objectives for which local units have been granted charitable, tax-exempt status under Hawaii State PTSA's group exemption.

Charitable, Tax-Exempt 501(c)(3) Status - Individual and corporate donors are afforded a tax-deductible contribution to the PTA project graduation committee based on the PTA's (not the committees) tax exempt status. This exemption is subject to review annually and will be in jeopardy if a local unit is deemed to be conducting activities outside of those for which exemption was initially granted. As a result, donors would not be allowed a tax-deductible contribution.

Core Project Graduation Committee - The core committee shall include, as a minimum, two members of the PTA board. This provides assurance to the PTA and its members that project graduation committees are operating in accordance with established guidelines and procedures. Additionally, PTA board members can provide guidance to the committee as needed. It is preferable, but not required, that the treasurer be a member of the core committee for purposes of financial oversight. The president of the PTA is, automatically, a member ex-officio on all committees of the PTA, and therefore, a member of the project graduation committee as well.

Use of the PTA Name - A local PTA unit should never allow another organization or committee to use its name in conjunction with a project or program unless it is a true program or project of the PTA. In other words, merely saying that a program is "sponsored" by the PTA does not mean the program is covered in all respects. PTA's cannot and should not allow their name to be used (for tax deductible or insurance

purposes) unless they are actively involved in all of the decisions (financial or otherwise) affecting that program and carry a degree of responsibility consistent with their participation in the program.

II. FISCAL GUIDELINES

Establishment Of Bank Accounts - Because of the large sums of program monies received and disbursed, and the need to restrict these funds for project graduation, a separate, single bank account may be established and maintained. The bylaws of the local PTA unit specify which individuals are the authorized signatories on all bank accounts; usually the PTA treasurer and one other authorized officer of the PTA (but never two individuals that are related or live in the same household). As such, accounts established and restricted for project graduation shall adhere to these same guidelines. Committee members that are not PTA officers should never have authority to sign checks or move of funds either into or out of the account unless provided for in the organization's bylaws. (Note: all changes to bylaws require approval by the PTA's general membership and subsequent approval by Hawaii State PTSA.)

Insurance - Local PTA units that are in good standing with the Hawaii State PTSA are provided liability and bonding insurance through a group policy. However, that doesn't guarantee that all claims filed are automatically covered. Strict adherence to the organizations bylaws as well as the loss control guide provided by our insurance agent is a must. (It is imperative that you refer to R.V. Nuccio & Associates "Loss Control Guide" for activities that are not covered by our group policy.)

Banking & Handling of Monies - Only those individuals covered under our group fidelity & bonding insurance shall handle receipts and banking. Additionally, we strongly advise implementing a written policy that states "two individuals must be present while cash is being counted and both individuals must sign off to verify receipt of such monies". Procedures shall be established to adequately account for all funds received and/or disbursed.

Restricted Source and Use of Funds - Generally all monies received will carry restrictions for use, specifically for project graduation. As such, there shall be no co-mingling of project graduation funds with regular PTA operating funds. As stated above, we do recommend establishing a separate, single bank account for this purpose.

Carryover Funds - Shall there be remaining funds at the close of the project, such funds are to be carried over to and used by the project graduation committee for the coming year. In no uncertain terms should the PTA or any member of the committee cause such funds to be used for any other purpose, unless properly voted on by the general membership of the PTA.

III. REPORTING GUIDELINES

If PTA units agree to conduct and sponsor project graduation programs, the activities and financial operations of the committee are subject to the same reporting standards as other programs conducted, sponsored, or funded by the PTA. All members of the PTA board shall have a fiscal responsibility to ensure that these guidelines and standards are met.

Report of Activities - The project graduation committee shall provide to the PTA board, on a monthly basis, a written report of activities conducted during the prior month. The committee shall also be allowed time during monthly board meetings to give a verbal report on such activities. Said report shall become a part of the board meeting minutes of the PTA. Within one month following the conclusion of the program, the committee shall provide an overall report and an assessment shall be made as to whether the PTA has met or exceeded its project graduation program goals.

Monthly Financial Statements - The project graduation committee shall provide to the PTA treasurer, on a monthly basis, a written financial report of funds received and disbursed during the prior month and provide all

necessary documentation to substantiate said report. The monthly financial report of the PTA shall reflect all financial activities of the project graduation committee. Additionally, the project graduation bank account will be reconciled monthly; such reconciliation requiring approval by the PTA treasurer and presented to the PTA board at its regularly held monthly meeting. A sample monthly financial report is provided in National PTA's "Money Matters" handbook.

Record Retention - At the conclusion of the project graduation event, ALL records, financial and otherwise, shall be turned over the PTA treasurer for retention and safekeeping. This includes, but is not limited to, all original source documents, meeting minutes, check registers & stubs, bank statements, financial statements, invoices, duplicate bank deposit slips and attached remittance advices, paid bills, lists of contributors, letters of contributions, etc. At year-end, these records shall be submitted to the PTA's outside, independent auditor or to its established audit committee for final year-end review.

General Excise Tax Reporting - Based on monthly reports submitted to the PTA board, the PTA treasurer shall prepare the general excise tax report; the frequency as determined by the State Tax Office. General excise tax shall be paid on all revenue that is not exempt from tax based on guidelines established by the Hawaii State Tax Department. All taxes related to the project graduation program shall be paid directly from project graduation funds and not from the general funds of the PTA. Additional assessments of penalty and interest resulting from delinquent filing or payment of tax related to such activities shall also be borne by the committee, where it has been established that the committee is responsible for the delinquency.

IV. OTHER REPORTING REQUIREMENTS

As required by law, the PTA shall file annual reports with various taxing authorities, which includes all activities of the project graduation committee.

IRS Form 990 - when gross revenue of the PTA, including funds generated by project graduation, reaches or exceeds \$25,000 during the fiscal year. The project graduation committee shall provide the PTA with necessary information for proper donor disclosure on Form 990.

Annual General Excise Tax Form G-45 - annual reconciliation report due on the 20th day of the 4th month following the close of the fiscal year

Forms 1099-MISC - to be issued to all independent contractors who receive \$600 or more in any calendar year for services performed for the PTA through it's project graduation committee

Acknowledgement of Contributions Received - to be issued to individuals or corporate sponsors who provide monetary or in-kind contributions of \$250 or more and/or monetary contributions of \$75 or more, where the donor has received property in exchange for their contribution. Refer to IRS reporting requirements.

Should you have any questions concerning the foregoing, we encourage you to contact us!

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