

Date: October 10, 2011
To: Haynes Street School PTO – TEAM HAYNES
From: Sub-Committee to Review PTO 501c3 Status
(Sharon Landau, Pierre Cadieux, Terri Malm)

Summary of Discussion and Recommendations

Background:

The Haynes School PTO 2011-2012 Board was unclear about the organization's 501c3 status due to lack of transition information and documentation from the previous board. During the September 2011 PTO meeting, the Board received a hand delivered packet of information from the past board. The Board created a subcommittee to review the documents and determine the status of the organization's non-profit/tax exempt status.

Sub-Committee Review and Discussion:

- The documents include a current IRS letter of determination which is the document that confirms TEAM Haynes is a 501c3 organization and gives the tax ID number. This letter is the only document typically needed to include in grant applications or elsewhere to show tax exempt status.
 - Sharon contacted the IRS and confirmed that the 501c3 was in good status. That means they did file their last tax return necessary in 2011 for 2010. The next filing is due May 15, 2012 for 2011 financials.
 - Per the IRS, neither the school's Lockhurst St address nor the Ventura blvd, Sherman Oaks address on the letter are the official addresses associated for the tax ID. An official board member needs to call to verify the address or needs to get form 8822 from the IRS website and complete and fax to 513-263-4330 to update the address. This is very important to do to ensure timely receipt of communication from the IRS.
- The documents also included a handwritten note of disclosure from past Board members indicating the documents are for "information purposes only and the tax id # can not be used".
 - What is the legal merit of having to honor a request from the past board not to use the tax ID number? Does the Board have a pro-bono lawyer that can address this question or can the principal weigh in? Currently, the Board does not have an attorney, pro bono or otherwise. The principal has consulted with the LAUSD district for guidance, and to date has not received any concrete direction. Unfortunately with all of the budget cuts, not sure if this falls under their "urgent" list.
 - Should we reach out to the past president or board member to discuss? The past years president is an attorney by trade, and her child is no longer enrolled in the school. Unsure if she would be willing to offer any additional information.
 - Regardless of the past board note, financial concerns/liability are the overriding reason to consider not using the current Tax ID number: Short of the information in this package (which falls short of the request for ALL information to transition over), there has been no financial accounting provided and many of the bylaw requirements have been ignored.
- Given lack of transition information and financials, does it make sense to start new and apply for a new 501c3 status?
 - It takes a lot of time and effort to get the materials together to submit a new application. Furthermore, there is a lag time for the IRS to approve. Currently, the IRS person contacted said they are working on approving 501c3 application cases received in March 2011. The IRS doesn't really care if there is a new board or changes of the like etc. They only care if the name, address or purpose/main activity of the nonprofit changes and if the returns are filed each year. That is what keeps an organization in good standing.
- What alternatives can be used instead of the TEAM Haynes tax ID number? The PTO can use the LAUSD tax ID number. Is this a viable long term solution? What are the associated benefits and limitations?
 - Teri followed up with Mrs. Meade regarding the LAUSD tax id on campus account. We are able to utilize the Student Body (LAUSD) account, with everything run through the school office. Thus, the board would not have access to the checkbook, only the school office staff.
 - The student body account can only be used for items related to the student activity as per LAUSD policy. No credit cards or paypal can be used (LAUSD policy). It is strictly cash or checks only.

- They can and have in the past accepted donations other than cash, such as computers, grocery store supplies, hardware store supplies, etc., and the school office staff sends out an acknowledgement letter that the donor can use for tax deduction purposes. Typically the office does not put a dollar amount on it, but would specify details, such as 10 HP computers, etc. unless of course it is a straight cash donation, then a dollar amount would be indicated.
 - They cannot purchase anything out right. Thus, the account can be used to reimburse purchases with receipts provided. So any equipment, supplies, event supplies, etc., require purchases to be made by others and then the student body account can reimburse.
 - They can accept grants, however, Mrs. Meade indicated that most companies that offer federal grants typically only do so to Title 1 schools (which we are not) and most private company/corporate grants have the 501c3 requirements. In other words, grants are more dependent upon the company giving the grant, not what the school can accept.
- Bylaws: There was a question of lack of official PTO bylaws on file. Teri provided a copy of the bylaws that were adopted by TEAM Haynes. However noted that these were never officially distributed to or voted upon by the PTO members and the past years board had indicated that they were "provisional". As they were not attached to the 501c3 application, it is not known if this was the final set that was actually submitted with the 1023 application. Also, there were some concerns from both teachers and parents last year that were never addressed. Typically bylaws or a condensed version of them are submitted with the 501c3 application so there should be some on file with the IRS which a Board member can contact the IRS and get a copy of. (this information has been requested and takes up to 60 days to be sent out - tm)

Recommendations:

- Do not use the TEAM Haynes 501c3 status given associated unknown financial liability stemming from inability to provide full 2011 financials for next IRS reporting requirements in Spring 2012. Instead, use the LAUSD tax ID account currently for donations in the short term. Limitations include can't accept paypal or credit card and can't make direct purchases (so purchases need to be made and then reimbursed with receipt)
- Discuss with the full PTO Board if the LAUSD tax ID is sufficient for long term use as well and if and when to apply for a new 501c3 status.
- Discuss with the full PTO Board if and when to close the existing TEAM Haynes 501c3 status
- Obtain past financials or other information from the IRS regarding TEAM Haynes for PTO records. An official member of the board can contact the IRS to get a copy of what was submitted regarding financials and also determine if the filing was late or on time. The contact number is on the letter of determination.
- Update the address for the current tax ID status and determine if and when to close this organization
- Identify/Obtain pro-bono lawyer for PTO Board. Send an email out to the Haynes parent community/email list serve asking to if there are (or to help identify) any lawyers by trade that can volunteer to help the board with any legal questions or issues as they come up.



For Personal Delivery to Haynes Street School New PTO Organization General Meeting of September 14, 2011:

Full and complete copies of the following documents pertaining to the T.E.A.M. Haynes Organization 501(c)3 Federal Non-Profit/ California Non-Profit Unincorporated Association are attached for entry in the Minutes:

- 1) IRS Form 1023 Application for 501© 3
- 2) July 26, 2011 IRS Letter of Determination to T.E.A.M. HAYNES PTO
- 3) May 25, 2011 California Registration of T.E.A.M. HAYNES as CA Non-Profit Unincorporated Association
- 4) T.E.A.M. HAYNES Federal Tax Return for 1st part of fiscal year to 12/31/10
- 5) 2010-2011 T.E.A.M. HAYNES End of Year Letter to PTO Membership re finances, expenditures, organizational status - 501 © 3
- 6) 2010-2011 T.E.A.M. HAYNES letter to teachers outlining teacher wish list, classroom, library, enrichment purchases with fundraised monies
- 7) Copy of \$13,000 cashiers check and letter to Haynes St. School for payment of salary of Physical Education Coach for 2010-2011 school year as raised by T.E.A.M. HAYNES via walkathon (\$6,500) and other events.

Very truly yours,

T.E.A.M. HAYNES Executive Board

Dana Urick 

Peggy Bull 

Natalie Kosmidis 

cc: Sue Kline, LAUSD District One

cc: Attorney Wright, Attorney S.A. Jones

PLEASE NOTE CONDITIONS OF DISCLOSURE: The Documents Attached are provided for Information purposes only, and you are not authorized to use Any of the Federal or State Identification numbers of the T.E.A.M. Haynes organization.


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