

## **Minnreg 501c(4) Eligibility Committee Meeting Minutes July 29, 2021**

Four (4) Special Committee members were in attendance and included Mark Wolf (Lead); Ron Rasmussen (Lead); Joe Abrahamson and Bob Anderson. One (1) Board member in attendance is John Bowers (Chairman). Also, Jack Lee (Accountant) and Mary Reffelt (Secretary). Additional Officer in attendance was Dan Bordeaux.

This board meeting was called to order at 5:30 pm by Minnreg Chairman, John Bowers and turned it over to Mark Wolf, Committee Lead.

### **Minnreg 501c(4) Eligibility**

This new committee appointed to explore tax consequences of 501c(4) on our organization (Hire Tax attorney; Does MVA expenditures comply with IRS code; Is Compensation viable).

### **Minutes of Previous Committee Meeting**

The 501c(4) Committee minutes for the July 22<sup>nd</sup> Meeting were emailed electronically on July 23<sup>rd</sup> by John Bowers, Board Chairman.

### **Special Speaker – Paul Horowitz, CPA specializing in Non-profit Organizations**

Paul Horowitz referred to us by Duggan Cooley of the Pinellas Community Foundation. Mark Wolf had given Paul Horowitz a background on our organization. Paul Horowitz said our By-Laws were very nicely done. Paul would like to ascertain a few things about what we are.

1. We have forever ben a 501c(4) organization and do we still qualify for a 501c (4) Non-profit group?
2. Compensation for folks running the organization.

### **Issues**

- IRS 501c(4) Compliance

Ron Rasmussen doesn't want to be viewed as a different organization. Paul say outcome of paying taxes on building extremely rare for charities. Doing the right thing changes things. Gather socially and doing something for the community – that is a 501c (4). A 501c (3) is a charity with community enhancements. A 501c (7) is a social welfare organization. Should we change? What are we primarily doing? Current employees or retired employees.

Need to be focus on a charitable cause for a 501c (4). Are we recreational pleasure or people gather to raise money for charities?

1. Advance STEM program at Tyrone Middle school given a grant of \$10K. Trying to develop mentor program due to most members being engineers.
2. Development phase non-profit charity to provide donation and help them in their activities.
3. Establishing a \$10K scholarship fund for local high school seniors with some connection to Honeywell.
4. Senior Holiday Luncheon was past event but struggling with Covid restrictions with the Assisted Living facilities.

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5. Ron Rasmussen and Tom Connor donating time to stack can goods for the Salvation Army. Plus, Holiday Bell ringers for the Salvation Army.

This year we had this money so put this office together and only since February divorced from leasing Minneg Hall. No urgency to make any changes, no timeline. We are fine as a 501c (4) if drift off to melas, outing, drinks then we are a social club that gets together to support the community then we are a 501c (7).

If we spend  $\frac{3}{4}$  recreation (this cost a lot to get together) and 25% on community support. IRS does not give you a number for groups that get together for volunteering purpose still there. Use our luncheons to speak to members, surface community opportunities. Luncheon look social but have a thought into the community.

How our dues do not match what we give to members. Social entertainment leans more toward 501c (7) which has tax implications. 501c (7) Social club limits how much investment (35%) and unrelated business tax on investment (21% tax rate) if making money off investments. If trying to maintain our 501c (4) status but more social, then community then we should consider moving to the Social 501c (7). We would need to setup a new corporation; new bank account and apply for IRS status (could take a couple of weeks). Then transfer to new corporation and dissolve the other. Both are tax exempt. 501c (7) is taxed on non-membership income from the \$2M. Investments (Municipal bonds) will not be taxed just dividends and gains are taxed.

Is it safer with IRS to go 501c (7) or stay 501c (4)? Paul thinks we are fine staying as a 501c (4). Best if we can justify with community groups; getting together to do charitable work.

- Compensation

We have a problem getting volunteers so talking about giving salaries. If can't find volunteers than we should just shut it down. Troubling in organization that no one is willing to volunteer without being paid. Most charities are more volunteers.

Any non-profit allowed to pay directors with a non-exempt tax status? IRS can put limits on the comps. 100% small non-profits are volunteers. Siphons rather than a compensation. Unreasonable compensations are #1 hot button with IRS. Over the top penalties are outrageous with IRS.

1. Whoever is deciding can not benefit from the compensation. Board can vote but Officers are excluded. Document approval on minutes. Person getting compensation should not vote on compensation or rate. Then need to present to Membership for a vote.
2. Some sort of basis for what you are paying and look at comparable non-profits. Do your home work for a reasonable rate and nature of work being done. **Action:** Mark Wolf to look at published 990's for non-profits and compare the rate being compensated.

If compensation rates are hourly rates probably a safe harbor. Know what the time work to compensate. Salary expects a certain amount of time. Hourly must log hours worked. Better to have salary vs hourly compensation. Would people like to be audit and fight over how many hours worked? Busy work reviewing the time sheets for hourly. Suggest a flat dollar amount and pay once a year. 1099 form needs to state the salary and published on IRS form.

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- Long Term Investment Plan / Execution for MVA

Long term plan – don't know how long investment money and interest to continue to operate. Operation would be more to spend down the investment. Deficit spending is 40% entertainment: 40% compensation and 20% community welfare. Spend out plan – document 5% (or 10%) a year to spend down with charitable annuities trust plus some years making money.

- Full Insurance Coverage Implemented

Director & Officers (D&O) insurance is recommended for sure. Florida law good at protecting board members. With our dollars of funds we should protect the board from stolen or mismanaged funds.

Should not be using Debit cards. Not same protection on debit cards as credit cards which offer better protection.

**For the Good of the Order** – Thanks to Paul Horowitz for his time and knowledge. Please send in a invoice for our treasurer.

What are the Committee thoughts?

IRS could look at our website that says all about Fun. Need to change to include our charitable and community involvement.

How much are we willing to compensate which will not affect our 501c (4) status. Need to be voted on by Membership so they know what is being paid. Mark Wolf has action to research the 990 forms for similar non-profit 501c (4) and what their compensation looks like.

Let's see how things go with the budget. Our soft budget needs to be firmed up.

Need membership to understand what we are and let them know about the difference for 501c (4) and 501c (7) status.

Ron Rasmussen has friend Scott who can talk to us week of August 16<sup>th</sup>. *(Not sure if Scott is family member or friend plus what Scott's specialty is? – I didn't hear these details – please provide)*

Bob Anderson is concerned with the use of Debit cards.

Joe Abrahamson say we should have a budget and halt compensation for now. John Bowers has told Betty Held, Treasurer to hold off compensation until further notice.

Need to find out what general membership thinks we should be spending. We are doing more for members to increase our membership which we have succeeded. What is on the docket for rest of the year? We need to get some control on what we are spending.

**Adjourn**

Next Board meeting scheduled to be scheduled week of August 16th.

The meeting adjourned at 7:00 pm.

Respectfully submitted, Mary Reffelt, Minnreg Secretary