

Smoky Valley Home Educators, Inc.  
Business Meeting  
January 25, 2016

**Call to order:** A specially called business meeting of the Smoky Valley Home Educators, Inc. was held in Salina, Kansas on January 25, 2016 at Salina Bible Church. The meeting convened at 7:00pm with President Mark Hoover presiding to discuss the options for consideration regarding our group's non profit status.

**Members in Attendance:** Lewis McMillan, Heather Son, Hayley Redden, Carroll and Megan Long, Karen Hay, Debbie Sexton, Stacy Serrault, Tracy Repp, Dawn Kurtz, Fred and Cathy Schweer, Mark and Karla Hoover, Patricia and Shawn Deterding, Jesse and Kimmi Smith, Melissa E. Miller, Jaleah Morgan

**Unfinished Business:** There was no unfinished business.

**Approval of Minutes:** There was no approval of minutes.

**Officer's Reports:**

*President:* Mark Hoover, President, presented information regarding the history of our incorporation and non profit status. According to the previously recorded minutes, the history is as follows:

1/23/2012 Under "Old Business": Incorporation of SVHE still being considered, but the Advisory Board has not met to take action.

5/21/2012 Bylaws were revised (amended and approved) as follows:

Inc. added to name

Article III added – Type of Organization – SVHE shall not have any capital stock and is a non profit corporation.

9/24/2012 Under Old Business: Corporation filing approved – Application for Fed ID# pending determination of not for profit

Filing for non-profit, Advisory Council met and recommended we file for 501c3 status – We would not have to file taxes until income reaches 50k.

Motion to file 501c3 as recommended by the Advisory Council made by Paul Finnel and seconded by Fred Schweer.

Carroll will oversee the file process as recommended by the Advisory Council.

3 year audit needs to be done by David Newcomer who has requested assistance.

10/29/2012 Under "Old Business": Prior 3 year audits need to be done to bring us back to where we need to be.

3/25/2013 Under "Old Business": 3 year audit still needs to be done, Carroll Long is still working on getting committee to work on it.

5/20/2013 Under "Old Business": Prior 3 years required audit.

Mark indicated that these were the only mentions he could find in the recorded minutes and that

minutes may not have been recorded accurately or fully.

Mark then outlined our current status which is that SVHE is incorporated but not in good standing with the Kansas Secretary of State and that it is his understanding that SVHE is considered tax exempt. Also, while there are different options for our group, Mark outlined the recommendation of the advisory council: to file for reinstatement with the Kansas Secretary of State to be in good standing. To do so, we must provide 3 years of statements and pay a \$100 fee, which is currently already budgeted. We must also refile for 501c3 Tax Exempt status and show reasonable cause for delay. There would be necessary changes to bylaws to meet Secretary of State requirements as well. We would need to provide financial data for the past 3 years, and most financial records have been gathered in preparation for this. A one time, non refundable \$400 fee would be required to process the application.

**New Business:** After considerable discussion over these topics, Shawn Deterding moved and was seconded to proceed with the Advisory Council's recommendation.

During discussion of this motion, Carroll Long indicated that after consultation with two local attorneys, that this option would be very involved, and that the fee would be at least \$50 higher than than we had anticipated due to filing of amended articles. There could also be other costs associated with this. After this discussion, Mr. Deterding withdrew his motion before there was a vote.

Patricia Deterding then moved, and was seconded, to proceed with considering different options to the one recommended by the advisory council, which after discussion did not appear to be pertinent the business of our group so she then withdrew her motion before it came to vote.

Carroll Long moved that we proceed with the Advisory Council's recommendation, specifically that we begin the process to file for reinstatement with the KS Secretary of State and that we refile for 501c3 tax-exempt status and that we appoint Jesse Smith to chair the committee focused on ensuring that our bylaws meet both the requirements of the state of Kansas and that reflect the desires and needs of our group. This motion was seconded. Motion carried with opposition.

**Committee Reports:** There were no committee reports.

**Announcements:** Look for information on the bylaw committee and announcements regarding any more specially called business meetings. February's meeting will be the previously scheduled program for January.

**Adjournment:** Heather Son moved and was seconded that we adjourn. Motion carried, and Shawn Deterding closed us in prayer.

*Minutes submitted by Heather Son, Secretary*

**SVHE Meeting Agenda - Monday, 01/25/2016 - Salina Bible Church**

- **Welcome & Prayer**
- **TOPIC: SVHE Incorporation & Application for Non-Profit Status**
  - **Presentation / Discussion: History of Incorporation & Application**
  - **Presentation / Discussion: Current Status**
  - **Presentation / Discussion: Pros & Cons of Incorporating as a Non-Profit**
  - **Presentation of Options for Consideration going forward (including Advisory Council Recommendation)**
  - **Discussion – Call for motions to proceed**
- **By-Laws Issues / Concerns**
  - **Brief Overview**
  - **By-Laws Review Committee**
  - **Future Meeting – Scheduling and Agenda**
- **Any new business or announcements?**
- **Close in Prayer**

## **SVHE Incorporation & 501c3 Non-Profit Status**

### **HISTORY (according to recorded minutes)**

According to the record of minutes the following events related to SVHE Incorporation and filing for 501c3 Non-Profit Status occurred.

1/23/2012 - Under "Old Business": Incorporation of SVHE still being considered but the Advisory Board has not met to take action

5/21/2012 - By-Laws were revised (amended and approved) as follows:

-Inc. added to name

-Article III added - Type of Organization - SVHE shall not have any capital stock and is a non-profit corporation

9/24/2012 - Under "Old Business": Corporation filing approved - Application for Fed Id# pending determination of not-for-profit

Filing for non-profit, Advisory Council met and recommended we file for 501c3 status – We would not have to file taxes until income reaches 50k

-Motion to file 501c3 as recommended by the Advisory Council made by Paul Finnel and seconded by Fred Schweer

-Carroll will oversee the filing process as recommended by the Advisory Council

-3 year audit needs to be done by David Newcomer who has requested assistance

10/29/2012 - Under "Old Business": Prior 3 year audits need to be done to bring us back to where we need to be

3/25/2013 - Under "Old Business": 3 Year audit still needs to be done, Carroll Long is still working on getting committee to work on it

5/20/2013 - Under "Old Business": Prior 3 years required audit

NOTE: It can be clearly seen by the record of minutes that the minutes may not have been recorded accurately and/or fully. There is no record of any votes actually taking place or the results of votes. There is only one instance of a motion being made and seconded relating to Incorporation and 501c3 non-profit status. However, there is no record of the vote taking place. From the record of minutes it appears that we did become incorporated but there is no record of the motions and votes taking place to do so. In addition, the minutes mention the 3 year audit needing to be completed but never stating that they were completed.

## CURRENT STATUS

- SVHE is incorporated but not in good standing with the State
- SVHE is NOT Non-Profit currently but is considered tax-exempt
- Financial Records gathering is nearly complete for all accounts including General, Basketball and Volleyball

## PROS AND CONS OF INCORPORATING AS A NON-PROFIT

**Benefit # 1: No Taxes** - The organization is eligible for state and federal exemptions from corporate income taxes plus certain other taxes

**Benefit # 2: Ability to Receive Public and Private Donations** - Once incorporated, non-profit designation through application for 501c3 status will allow for donations to be received. Individual donors can then claim personal federal income tax deductions for donations made.

**Benefit # 3: Protection from Personal Liability** - Shielding members of the organization from personal liability is key among the benefits of nonprofit incorporation. Board members and officers will be protected from liability for corporate debts or liabilities such as unpaid organizational debts or lawsuits against the organization.

**Benefit # 4: Organizational Perpetuity** - A corporation is a legal entity separate from individuals who manage it or organize it. It is this separate legal existence that affords the protection from liability, but it also means that the organization becomes immortal in a way. The non-profit corporation continues to exist beyond the lifetime or involvement of the people who began it or who have managed it.

**Benefit # 5: Corporate Structure** - While forming a nonprofit corporation is not simple, the required documents force the group to be clear about its mission, think through its operating rules, and develop procedures for decision making.

**Added benefits:** lower postal rates on third-class bulk mailing, cheaper advertising rates, ability to air free radio and tv public service announcements

### Disadvantages:

- Paperwork, costs, time and energy
- Restrictions: no pay for directors, no political campaigning, lobbying, if closed assets must be given to another nonprofit

## **FUTURE OPTIONS FOR CONSIDERATION**

### **OPTION 1: REMAIN AS SVHE - SMOKY VALLEY HOME EDUCATORS**

**STEP 1:** File for Reinstatement with the KS Secretary of State to be in good standing as a corporation again. We must provide 2 years of statements and pay \$100 fee (amount is currently in the budget)

We will then be required to submit annual reports each year including a fee of \$40 annually.

**STEP 2:** Re-file for 501c3 Tax-exempt Status - Must file form 1023 within 27 months of filing nonprofit articles of incorporation. We filed non-profit articles of incorporation on 5/18/2012 which has clearly been more than 27 months ago. We must show "reasonable cause" for the delay (understandable and excusable).

Required clauses for Articles of Incorporation in order to obtain 501c3 exemption:

- A clause stating that the corporation was formed for a recognized 501c3 tax-exempt purpose
- A clause stating that any assets of the non-profit that remain after the entity dissolves will be distributed to another 501c3 tax-exempt non-profit – or to a federal, state, or local government for a public purpose

SVHE's Articles of Incorporation do not currently include these clauses.

**FINANCIAL DATA:** Must provide a statement of revenues and expenses and a balance sheet. Previously we only needed the 3 years of information. However, since we have never completed the process, we must now provide 5 years of information.

*All bank statements have now been obtained for all open accounts.*

**USER FEE:** A user fee in the amount of \$400 is required to process the application for 501c3 status.

### **OPTION 2: CREATE NEW HOMESCHOOL SUPPORT GROUP - DISBAND CURRENT SVHE - SMOKY VALLEY HOME EDUCATORS GROUP**

**STEP 1:** Plan, Create, Develop NEW homeschool support group including new corporation name, new officers, new by-laws/statement of faith etc.

**STEP 2:** File Articles of Incorporation including 501c3 non-profit status as NEW corporation - Will not require financial records as this is a new corporation with no history.

**USER FEE:** A user fee in the amount of \$400 is required to process the application for 501c3 status.

**STEP 3:** Close down Smoky Valley Home Educators corporation and distribute assets/financial to the NEW corporation

**SUB-OPTION:** Split Athletics off from SVHE or the new corporation - This is an additional options that has been brought up which would relate to Option 1 or Option 2 either way. This would mean that the athletics group would be created as a separate corporation. Benefits/Advantages?? Disadvantages??

## **BY-LAW ISSUES/CONCERNS:**

Article V.4 - Quorum & Article VII.2 - By-laws

Article V.4 reads: "However, any changes to by-laws may only be voted on at any duly-called meeting when a minimum of 10% SVHE voting members, including at least one Advisory Council member, are present."

Article VIII.2 reads: "A 2/3 majority of SVHE members present and voting at a meeting is required to implement these by-laws and for modification thereof."

*As these two articles read, this may be interpreted that with a current membership of 68 member families, only 7 (10% are required to be present, including at least one Advisory Council member) in order to vote on a by-law modifications and a modification may be made with only 5 member families votes.*

POSSIBLE SOLUTION: Article VIII.2 to read as follows: "A 2/3 majority of SVHE members must be present and voting at a meeting in order to implement these by-laws and for modification thereof."

Article VI.2.C – Treasurer – Duties

Reads: "see that all required tax documents are timely filed including but not limited to Form 990 Return of Organization exempt from Income Tax and Form NP Not-For-Profit Corporation Annual Report. All financial records will be audited yearly by a person chosen to do so by the Advisory Council with a report given to the Advisory Council.

*We have not been submitting Form 990 nor have we been having a yearly audit conducted. We are not currently considered a non-profit and therefore Form NP is not currently necessary. However, if we proceed with filing for 501c3 non-profit status we would then be considered non-profit for up to 27 months until permanent status is granted as long as we are able to show "reasonable cause" for our previous delay as noted before.*

*Audits have not been done because the person asked to perform was not interested due to a lack of proper records/information. We are working on rectifying this issue. The alternative is to remove this requirement.*

Article VIII.8.D - Advisory Council – Activity Groups

Reads: "Activity Groups under SVHE with separate accounts will give a financial report to the SVHE treasurer no later than June 1<sup>st</sup> of each year. It is the responsibility of each activities leader to make reports to the Advisory Committee as needed, but specifically when activities affect the SVHE membership.

*The June 1<sup>st</sup> date may need to be changed to April 1<sup>st</sup> perhaps so that budget information can be prepared for the May meeting and thus allow for members to approve the budget information for the current year and for the next year.*

## **SUMMARY:**

It is clear that because SVHE became incorporated and because SVHE does receive some donations through fund-raisers, etc. SVHE must take steps to become compliant as a non-profit group. If SVHE does not take these steps then the group would not have the advantages and protections afforded to groups that are incorporated and non-profit. We would also not be able to take in any type of donations which could be written off by donors. The alternative is to create the new support group and transfer the current balances of accounts from SVHE to the new corporation. The by-law issues/concerns needing to be addressed will be based on the decision to proceed with option 1 or option 2.

