



Susannah Evans
Licensed in MO, KS
Of Counsel

Andrew Ralls
Licensed in MO, KS
Associate

Dennis A. Boman
Licensed in MO
Of Counsel

Alan Jacobson
Licensed in MO
Of Counsel

Professor Emeritus
Edwin T. Hood
Licensed in MO, IA, CA
Member

Matthew L. Hood
Licensed in MO, KS,
CO
Member

Roland Sabates
Licensed in MO
Of Counsel

Sean Collins
Licensed in MO
Associate

Hanqing Yang
Licensed in MO,
NY
Of Counsel

Paul A. Burnett
Licensed in MO,
MT, CA, FL
Of Counsel

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Transmittal by first class mail, postage prepaid, and by
Email: President@beauce.org

Adrienne Scott, President
American Beauceron Club
4530 SE St Rt C
Maysville MO 64469

Re: Questions posed by members

Dear Ms. Scott:

Briefly, our letter and response to the request for advice and review of transactions/operations made to our firm on behalf of the American Beauceron Club ("Club") covers tax matters, record retention and availability, Club procedures, and, finally, member relations including matters of dissent and responsibility in small non-profits.

Tax Matters

Form 990 returns have been filed for all tax years, as required, from 2009 through 2020, except for tax years 2014 and 2015. All of the reported, filed returns were timely filed except for the 2013 and 2019 returns. The 2019 return was processed by the Internal Revenue Service on August 10, 2020, after the Service received the return on July 20, 2020. The 2013 return was received on October 29, 2014 and processed on November 24, 2014. For all of the filed returns, no tax or addition to tax (penalty) was assessed by the Internal Revenue Service. To restate, the matter, the Club has not owed any tax, had any penalty assessed, nor does the Club have or had any accrued, outstanding balance owed to the Treasury of the United States.

The Club has been filing Form 990-N; our attempt to change the reporting year on the electronic form in order to file a back-year return was not successful. The IRS website did not permit us to change the reporting year for Form 990-N.

What is the risk in the failure to file the 2014 and 2015 returns? With respect to tax returns for the period that we have reviewed, that is, January 1, 2009 through the end of 2020, the Club has never owed any tax for any reported year and is not likely to have owed any tax for the 2014 and 2015 tax years. Generally, penalties for taxes are based upon the amount of tax owed and not reported or not paid. Because of the applicable tax form, the period of time that has lapsed, the historical level of

taxes paid by the Club, the responsible Internal Revenue Service division (Exempt Organizations) which audits, reviews, and responds, the number of consecutive non-filed years, the risk for audit or any IRS response is negligible.

I want to address specifically, one claim regarding the addresses used by the Club which is alleged to create issues for properly receiving IRS notices. The law is very clear that before the Internal Revenue Service can issue a notice of deficiency leading to an assessment of taxes owed and additions to tax, the Service must use the 'last known address' which the IRS has. A last known address can be the address posted on the last, filed tax return. The failure of the IRS to find or use a address leading to proper notification is remote; and, if the IRS fails to use the address on the current (last) tax return, the IRS will fail to prevail in court.

Record Retention and Availability

Under both federal and Pennsylvania rules, records should be kept regarding tax and financial matters; the records which must be furnished under the federal rules are as follows:

- The last three year tax returns (the time period for the returns begins with the due date of the returns including any extension). All schedules must be attached, however, while the amount and purpose of contributed amounts must be disclosed, the names of contributors are not required;
- The application filed for exemption under Section 501 of the Internal Revenue Code; and
- The 'determination letter' (notice providing the organization's designation and acceptance under Section 501).

Federal requirements for the retention mandate that the last three year's returns, as described above, with attending documentation, should be kept. The Club's application under Section 501, as well as the determination letter received from the IRS, also should be permanently kept as part of the Club's records. In addition, for purposes of federal regulation or for federal audits, the Club's Articles of Incorporation and Bylaws, each to include all amendments, and minutes of Board meetings should be permanently retained. To satisfy requirements under Pennsylvania law, other records also must be retained to include membership registers, minutes of membership meetings, and books and records of account.

Availability of records is important to comply with both federal and Pennsylvania non-profit statutory and regulatory provisions. These requirements were enumerated for the Club in prior correspondence which we provided to the Club this past summer in correspondence dated June 14, 2021. However, the Internal Revenue Service clearly enunciated a common sense 'safe harbor' rule to comply with the right to inspect non-profits records – make them widely available (commonly on a website). In Publication 4221pc, the Service states that it is not necessary for a non-profit organization to respond to individual requests/demands for information when the information is widely available.

Procedure/Process

The social process how information is processed, accessed, and distributed, of course, varies widely based on the needs, function, purpose, mission, demographics and outlook of the membership. Transparency is paramount for organizational rule and decision making, including having a record

made at the time rules and decisions are promulgated. Process and transparency demands, particularly for small organizations, however cannot and should not limit the ability of officers and members to discussing issues delineated by a formal, bureaucratic process. Even at the highest levels of the United States government, cabinet secretaries and senior advisors have been found in administrations comprising both political parties, to be using personal email accounts. It hardly bears stating that the imposition of rules prohibiting the use of personal email for members and officers of a small non-profit, is not only unreasonable and not enforceable, but contrary to the necessity for members and officers to be informed, actively engaged in Club matters, and, to be reaching-out for ideas and to gauge consensus.

Member Relations – Dissent and Responsibility

The Club, to state the obvious, is a small non-profit without assets, with expenses consuming the little income that it does take in. The mission and purpose of the organization is to bring persons together who are intimately involved in the breeding and perpetuation of an uncommon breed of dogs, the Beauceron. The Club is composed of a small membership who volunteer their services and efforts to promote the Club's mission. Income is raised solely through the imposition of membership dues which at best, are meager with required payment of less than \$5 per month for all members, whether single or joint/family who reside in the United States. Under the best of circumstances, the cohesion and continuity of the Club is based on the passion and dedication of its members to their cause – the Beauceron breed.

Promoted ideas that the Club is at risk from failure to file taxes and tax audits, failure to have and pay for an up-scale office arrangement, on-going forensic auditing, a complex Club digital, system of communication, may result in what most members fear, the dissolution of the Club. Disruption, not simple dissent, but constant turmoil demanded by a minority to compel adherence to ever-changing set of demands costing funds which do not exist will result, at its worst, in the demise of the Club. At best, the result will be fewer and fewer persons willing to serve as officers or on the Club's board. Even the IRS in Publication 4221pc states that for a small organization, that its check book may be the 'main source' for income, purchases, and expenses together with the retention of invoices paid – a simple system of bookkeeping and accounting. Financial records do not need to be voluminous; they just need to be kept on a regular basis. Chaos and dissention, can cause a rapid turn-over of officers and board members which tends to disrupt, in a small organization, efforts to maintain records as required on a consistent basis.

While constructive dissent can be critical to correcting issues and helping a non-profit organization to face and prepare for future challenges, members also need to be mindful of their responsibility to act in the best interests of the Club.

What Should Be Done

Ensure adequate record keeping. Timely file required returns. Communicate with members notices of meetings and determinations/decisions. Provide reasonable access to records, preferably by posting records on-line. Do NOT respond to individual demands not required by law or regulation. Do NOT allow select individuals to drive the Club's future by disruptive allegations not based on facts.

- Keep books in the same manner (if compliant) or by action as required under Bylaws and by Board action, adopt new, reasonable, simple, permanent method of financial record keeping

- Keep and maintain (permanently store) minutes of all board and membership meetings
- Ensure tax returns and Pennsylvania reports are timely filed and kept as required
- Post as much of the records on-line as possible (omit all personal information such names of persons contributing)
- Keep required permanent records such as Articles and Bylaws as amended, application under Section 501 and the IRS determination letter

Hopefully, there can be a calm, commitment to continue so that the Club and its members pursue what is important – your mission and passion to the Beauceron breed. Most, if not all, that has been suggested has been implemented. What has been missing is the requirement not to listen to innuendo, aspersions, opinions, and theories. Reply promptly to requests for information that is required to be given by statute or rule, but with other demands, be careful in response – the best response to many matters is none.

If you have any questions, do not hesitate to contact us.

Very truly yours,

HOOD LAW GROUP

A handwritten signature in black ink, appearing to read "Dennis A. Boman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dennis A. Boman