

Albuquerque Square Dance Club, Inc.  
A Non-Profit Corporation  
Meeting of the Board of Directors  
August 31, 2020

Meeting conducted by computer application Zoom to abide by Social Distancing rules imposed by the Governor of NM for the Coronavirus pandemic. Board Members present on Zoom: Ben Allen, Gale Askren, Margaret Bolshazy, Jerry Gilbreath, Larada Horner-Miller, Alice LaCelle, Lin Miller, Sheri Pastian, Bob Stevens. Absent: None

Zoom meeting set up by Larada Horner-Miller. Meeting was called to order by President Jerry Gilbreath at 5:31 p.m.

Jerry asked Sheri to update us on our financials: She stated that we have \$10,133 in checking, and we received more than \$3000 in donations from our recent drive honoring the Hall of Fame election of Buddy and Gale Askren.

Jerry stated that the **purpose of this meeting is to discuss the initial IRS audit report** received on Aug 25. A copy of the report was sent to all Board members for review prior to the meeting.

Sheri has discussed the IRS report with our accountant and the IRS auditor. The specific purpose of the audit, covering 2018 and 2019, was to determine whether our tax exempt status should be revoked re “excessive non-member income.” Why the IRS selected ASDC for an audit has been questioned by a number of people, including several accountants. It appears likely that someone within our dance community suggested the audit to the IRS, but we have no verification of that. Our original tax exempt status was granted in 1975. Sheri said that the bottom line is that **we lost our IRS 501c7 non-Profit status due to having non-member income in excess of 35% of our total income. We will have to pay state gross receipts and federal income tax, possibly for 2018 and 2019 as well as 2020.** Our accountant is appealing with the IRS re the back taxes. However, our accountant said our income over expenses (profit) is very low, and we won't owe much in federal or state income tax. We may owe Federal and State fines as well, but we don't know that yet. We have to wait for the final IRS report, and then for the State to determine what we will owe them. We also don't have our accountant's bill for the work he put in on the IRS audit.

Per Sheri, the IRS auditor is very sympathetic to our situation, and she is trying to figure out a way that we could regain our tax exempt status, possibly by coming up with a type of associate membership for dancers who don't square dance or round dance. She also advised Sheri to change her bookkeeping codes for non-member groups, including festival groups like Hot August Nights. Although festivals are sponsored by members, she indicated that they are considered outside groups.

Larada warned us about giving outside groups membership if that includes voting rights. She said that she is aware of a situation where a square dance hall was taken over by non square dancers after membership was extended to outside groups (like Contra dancers and ballroom dancers). The Board ended up being controlled by people who were not square dancers, which led to the Hall priorities shifting away from square dancing. Although we get along extremely well with our outside groups, and we have the highest opinion of their integrity, we have a responsibility per the By-laws to maintain the Hall as primarily a square dance and round dance venue. Jerry pointed out that any change to membership requirements would call for a change to the By-laws, which is not a minor undertaking. Jerry wants to stay out of any grey areas that might be legally questionable. He thinks it is better to pay the taxes than try any questionable strategies to regain non-Profit status.

Jerry said his business accountant suggested that we might want to hire a tax lawyer, but we concluded this would be too expensive.

Gale said we will have to start charging state gross receipts tax on all contracts. After some discussion it was agreed that we will have to start doing this for all contracts and for membership fees effective in 2021. We have already signed contracts for 2020, and we cannot add state sales tax to those contracts now. We will have to “eat” the cost of the sales tax for 2020. There have not been many events in 2020 anyway, although some clubs are still voluntarily paying rent even though the Hall is not open. Sheri quickly calculated new membership fees at \$21.58 (1.58 tax). A contract for a member club for the large hall would be \$46.39 (43.00 + tax). The increases will not be huge. Outside

groups will have to pay the taxes on their contracts as well. The largest tax fee will fall on the Albuquerque Dance Club (ballroom dancers) at \$539.38 a month vs \$500 if they dance the same schedule next year.

Lin wondered whether we might adjust our charges to increase membership dues and member contract costs to get us back in compliance for non-Profit status. Also, we might consider just bumping the contracts up a few dollars to cover the gross receipts tax without calling it a tax. Larada said now is a very bad time to be increasing any contract costs. We don't know how clubs will do after the Pandemic, how many dancers will return, or what clubs' income will be. She advised against any increases beyond adding the state tax charge. Ben said it is easier to just identify and charge tax than to bump up contract and membership costs to cover it.

Alice said our accountant should bear some of the responsibility for the IRS audit outcome. He is our tax advisor, and a CPA is paid to know the rules. Furthermore, Lorraine Pratt brought up this very issue last year – excessive non-member income affecting our non-Profit status, and Sheri asked our accountant about it at the time. He apparently did not do any checking to see if she might be right, he just said we are fine. Bob said that the IRS has so many rules that it is impossible for anyone, including an accountant, to know them all. Sheri said our accountant is not a non-Profit specialist. Alice said he assumed the responsibility by taking the job and filing the taxes. Jerry said his business accountant said it was an understandable mistake.

Jerry will write a letter to membership to inform them of the audit result and Lin will email it to members on his list. Ben suggests that we simply state that, over the years, as square dance membership fell and non-member income rose, our income balance shifted so that we no longer qualify for non-Profit status. It is a simple fact of economics and not anyone's fault.

Jerry brought up the subject of the **private internal audit being conducted by Diane Saunderson and Carolyn McDowell**. Jerry and Sheri have met with them numerous times and provided all the info requested, but Diane and Carolyn want to meet again and see the contract calendar and also some documents they have already seen. Jerry thought they were finished after the last meeting, but now Diane and Carolyn are asking for another meeting. Sheri is very willing to give them the calendar. Jerry feels that they should be able to complete the audit now, although he is willing to have one more meeting. Ben asked if Diane and Carolyn have indicated how they think the audit will help the ASDC and the square dance community. Do they have any helpful suggestions? Have they stated any goal? Jerry said they are helping us comply with the audit request signed by some of the ASDC members, saving us the high cost of an outside audit, but they have not offered anything helpful so far. Board members thanked Jerry and Sheri for the many hours they have put in gathering documents and meeting with Diane and Carolyn. Jerry and Sheri both have businesses to run, but they have devoted many of their off hours to this audit.

Jerry asked if there were any more comments. Bob mentioned that he read Larada's biography of Marshall Flippo, who called many dances over the years at our Hall. He said there were a lot of funny Flippo stories in the book.

Meeting adjourned at 6:35. No date was set for the next meeting.