

OPERATIONS MANUAL FOR CHARTERED DISTRICTS

1. Initiation of New Districts

Strong Chartered Districts are essential to MBAA's success in meeting its mission. When a prospective new District's "promoters"¹ contact MBAA, MBAA's Headquarters staff (hereafter, "Headquarters") will send out a packet to the promoters containing the following materials:

1. Model District Articles of Incorporation and Request for List of Initial Members of Board of Directors (that group is referred to NOT as the "Board of Directors," but as "District Officers")
2. First Board/District Officers Meeting "Suggested Steps"
3. District By-laws Template
4. Operations Manual (below)

2. "Start-Up" of Newly-Incorporated Districts

Once a prospective District's promoters send in completed Articles of Incorporation for filing along with a list of initial Board of Directors (called "District Officers"), the following steps are to occur as quickly as practical:

- A. Headquarters checks to see that the submitted Articles comply in all material manner with the Model District Articles of Incorporation
- B. Headquarters will see to having the submitted Articles executed by an officer of MBAA (who thus serves as the "incorporator" of the District) and thereafter submitted for filing with appropriate State officials
- C. Headquarters will notify the District's promoters when the Articles' filing has been accepted and the nonprofit corporation thus created (Headquarters then opening a temporary District file, which shall be made permanent following step H being passed successfully)
- D. Headquarters shall receive and place into the District's file the incorporator's certification of the list of individuals provided by the District's promoters as the individuals now "named" to the corporation's first Board/District Officers
- E. The first meeting of the Board/District Officers is to occur no less than 45 days following notice being provided by Headquarters that the Articles were successfully filed
- F. Minutes of the first Board/District Officers meeting shall be submitted to Headquarters by one of the "Officers" of the corporation who were elected to their post by the District Officers at that first meeting
- G. Accompanying the submitted minutes shall be an "Application for Status as a 'Chartered

¹ This includes promoters for Districts *who will take-over for unincorporated groups who had been operating as MBAA Districts* (prior to MBAA policy being to require uniform incorporation of all Districts under the State of Minnesota's nonprofit corporation statute).

District' of MBAA”

- H. Headquarters checks to see that the minutes reflect that the “First Board (a/k/a District Officers) meeting suggested steps” were followed and that the “Application for Status as a ‘Chartered District’ ...” was approved at such meeting; barring any errors in that process, acceptance of that Application shall be authorized by Headquarters
- I. Headquarters shall see that procurement of a taxpayer identification number on behalf of the District is undertaken (this can only be done with authorization of the District Officers per adoption of resolution set out in the “First Board . . . meeting suggested steps”) and provide the IRS-issued number to one of the District’s Officers
- J. Upon adoption of By-laws (if they were not adopted at the First Board meeting) by the District Officers, same shall be submitted to Headquarters

3. Insurance

All Districts are **required** to carry both General Liability and Directors and Officers (D&O) Insurance policies to meet the needs of the activities conducted by each District. Headquarters can supply insurance application forms through their broker, or each District may obtain insurance on their own from an insurance agent of their choice. Proof of insurance will be submitted to headquarters each year.

4. Tax-exemption

Tax-exemption recognition

MBAA’s 501(c)(3) tax-exemption does NOT extend to any of its Districts. Accordingly, each District will be required to individually apply for 501(c)(3) (or 501(c)(4)) exemption. *Without recognition of 501(c)(3) exemption*, charitable contribution deductibility cannot be offered or represented to donors.

Requirement to operate “as 501(c)(3)”

Regardless of whether tax-exemption is sought, MBAA’s Model Articles set out 501(c)(3) “operational limitations” and thus all Districts are required by State law to act in accord with those limitations.

5. Financial Recordkeeping

A District's President and Treasurer shall be jointly and severally liable to the Headquarters should their representations to Headquarters as to the District's compliance, during their term of office, with terms 8-12² of the Chartered District Agreement the District has with MBAA (same is in effect once Headquarters approves a District's "Application for Status as a 'Chartered District' of MBAA") prove to be false and cause loss or harm to MBAA directly or indirectly.

Headquarters shall no less than once a year require reporting in a standardized format of the data required to be kept by the Districts pursuant to terms of the Chartered District Agreement (note that these are reproduced in footnote 2, above). Such reports shall include the Treasurer's certification of the following information, at minimum:

- (a) Gross receipts/income (not net of associated expenses) of all fundraising events conducted in the period, other than contribution income outside of such activities
- (b) Direct expense of all fundraising events in the period
- (c) Break-out of data in (a) and (b) for each fundraising event garnering \$5,000 or more in gross receipts
- (d) Gross receipts from contributions (other than those received in fundraising events) in the period with a list of donors' names and addresses for all donors contributing year to date \$5,000 or more.
- (e) Gross revenues captured by program events and activities in the period (not including any dollars reported in (a) or (d))
- (f) Total expenses in the period (other than those in (b)) enumerated as incurred for program operations versus management operations
- (g) In the case of scholarships, names and addresses of all individuals or organizations who have been provided any scholarship in an amount greater than \$500
- (h) Amount of total assets at the period's end, separately enumerating balances in checking, saving and investment accounts, as well as receivables
- (i) Amount of obligations and liabilities at the period's end

² The text of those terms is reprinted below:

- (8) DISTRICT shall adopt and follow the same fiscal year as MBAA;
- (9) DISTRICT shall keep a complete financial record of all monies received, expended and remitted, and at all times ensure that its monies be deposited in its name;
- (10) DISTRICT shall hold at least two District Officers meetings annually; and
- (11) DISTRICT shall use database and accounting systems as required and approved by MBAA for its financial recordkeeping/reporting, in favor of maintaining members' information, and to provide information capture and output recording related to its programming, volunteers and guests.

6. Fundraising Events and Activities

No District shall conduct a fundraising event or activity without prior vetting of Headquarters to ensure that the District is knowledgeable as to its need, in this context, to:

- Provide “Donor Substantiation Statements” and address “Quid Pro Quo” required disclosures
- Not misrepresent tax deductibility of “donations,” be they in the form of cash, property, or services
- Comply with State and local jurisdiction licensing/registration rules and reporting obligations
- Not conduct gaming activities (including raffles) in violation of local or State ordinance

7. Legal Compliance

Headquarters shall assist each District in meeting the following ongoing annual responsibilities:

- Submitting annual registration to the Office of the Minnesota Secretary of State in order to maintain active nonprofit corporation status
- Filing annual notice or returns to Internal Revenue Service as necessitated by the District’s posture with respect to qualification as, or description within, a 501(c)-subsection (i.e., as being “tax-exempt”)
- Contemplating registration (and annual reporting thereafter) under State/local “charitable solicitation” statutes

In addition to the types of compliance responsibilities denoted immediately above, and also as enumerated with respect to fundraising events and activities in 6, preceding, Districts shall take care, in all spheres of operations, to:

- Manage volunteers fairly and treat paid workers properly (including complying with local and State fair labor and employment tax rules)
- Plan for foreseeable liabilities (including emergency management needs)
- Avoid federal or State/local “unrelated business income tax” liability
- Not use “professional fundraisers” by contract or otherwise (unless prior-agreed to by Headquarters and planned for accordingly)
- Perform background checks as necessary

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