



Frequently Asked Questions (FAQ's)

About the Mutual Benefit V. Public Benefit Status Re-Vote (January 9-11, 2018)

1. Why is AAUW California calling for a re-vote?

*The results of the every member vote to return AAUW CA to a public benefit corporation from its current status as a mutual benefit corporation **failed**. The results are as follows:*

- *Total AAUW CA Membership: 11907*
- *Total votes cast: 3160*
- *Total yes votes: 3134*
- *Total no votes: 26*

California corporate regulations require that all votes cast for a mutual benefit corporation to change its status to an entity such as a public benefit corporation must be unanimous. Due to the 26 “no votes” the measure failed. AAUW CA’s legal counsel has advised us that we can call for a re-vote in hopes of avoiding the more costly and time consuming legal options.

The re-vote is scheduled to take place January 9-11, 2018. Members with e-mail addresses on file will cast their vote electronically. Those members without an e-mail address on file will receive instructions via a postcard to call the AAUW CA office to cast their vote.

2. How did AAUW CA become a Mutual Benefit organization when it has historically been a Public Benefit organization?

When AAUW CA undertook its reorganization in 2008 a critical error was made that affects the corporate standing of AAUW CA under California nonprofit law, our standing with the IRS, as well as our affiliation with National. There are several categories of nonprofit organizations under California law, and in 2008, AAUW CA changed its category from a “public benefit” to a “mutual benefit” organization, which is inconsistent with National’s public benefit status. As a practical matter, the category change did not have any impact on AAUW CA’s missions, goals, operations or its members. Similarly, changing back to a public benefit organization will also not have any noticeable impact.

*Nevertheless, National has informed us that **AAUW CA must change back to its prior classification as a public benefit organization or lose its national affiliation** (see question 4 for further impact details). . Unfortunately, the process to change AAUW CA back to its prior classification is somewhat complicated and we have spent a great deal of time negotiating with the state of CA and conferring with an attorney trying to resolve the issue as efficiently and expeditiously as possible. Without this change we risk losing our National affiliation as well as jeopardizing our tax exempt status.*

3. What is the difference between a Mutual Benefit and a Public Benefit Organization?

“Mutual Benefit” and “Public Benefit” are classifications of nonprofit corporations under California law. The key distinction between them is that for a Public Benefit corporation, all assets must be irrevocably dedicated to a charitable purpose and as such, there are no distributions to members of the organization on dissolution or otherwise. In contrast, members of a Mutual Benefit corporation can receive distributions from the organization and receive the assets of the organization if it is dissolved,



Frequently Asked Questions (FAQ's)

About the Mutual Benefit V. Public Benefit Status Re-Vote (January 9-11, 2018)

similar to shareholders of a for profit corporation. Based on these characteristics, Public Benefits corporations generally qualify for federal tax exemption under 501(c)(3) and sometimes 501(c)(4), while Mutual Benefit Corporations typically qualify under 501(c)(4) or 501(c)(6).

4. What is the long term impact on AAUW CA if we fail to become a Public Benefit organization?

*As an affiliate of AAUW, AAUW CA must be a public benefit entity which aligns with the status of AAUW. **To fail to obtain this status would make AAUW CA out of compliance with our Affiliates Agreement and would potentially lead to our loss of affiliation with AAUW.** Loss of affiliation would mean we are no longer a recognized AAUW entity and as such would no longer be eligible to participate in any/all AAUW programs, such as Tech Trek.*

5. What is the next step if the members do not vote to change AAUW CA back to a Public Benefit organization?

*If the re-vote fails AAUW CA will then enter into a formal appeal process with the Commissioner of the Securities Division of the Corporations Division of the California Secretary of State's Office to petition for a change. If that appeal fails or is rejected the only option open to AAUW CA is to dissolve the current corporation and reform a new corporation as a public benefit corporation. **As an affiliate of National AAUW CA must be aligned with AAUW as a public benefit corporation and cannot remain as a mutual benefit corporation.***

6. What is/has been the cost impact of this issue?

Since the Fall of 2016 AAUW CA has invested over \$10,000 and over 250 volunteer hours working to resolve this issue, which includes an initial appeal to the California Secretary of State for a reversal to a public benefit corporation. The first appeal was a very different process than what will need to be followed if the second vote fails.

If the second vote fails both of the final two options are much more costly and time consuming and will have a far more significant financial impact on AAUW California. Thus, the call for a second vote in hopes that the organization will move forward without the far more significant legal costs associated with the option of a complex legal appeal process or corporate reorganization.

7. Who do I contact if I have further questions or need further clarification?

Please address all questions in writing to: governance@aauw-ca.org. If you do not have internet access mail your questions to: AAUW CA, Attention: Sue Cochran, Governance Chair, 1331 Garden Highway, Suite #100, Sacramento, CA 95833.