



## 2017 Incorporation Vote Frequently Asked Questions (FAQ's)

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

Mutual Benefit	Public Benefit
<p>Members of a Mutual Benefit corporation can receive distributions from the organization and receive the assets of the organization if it is dissolved, similar to shareholders of a for-profit corporation</p> <p>Public Benefits corporations generally qualify for federal tax exemption under 501(c)(3) and sometimes 501(c)(4).</p>	<p>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. Mutual Benefit Corporations typically qualify under 501(c)(4) or 501(c)(6).</p>

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

If anyone votes “no” we will have to go through the “fairness determination” process with the Secretary of State before the change can be effective. This is a very lengthy and costly process which involves extensive work by our legal counsel and would have a significant financial impact on AAUW CA.

### 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 AAUW affiliation. 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.



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### **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. 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.