

Starting a NAVHDA Chapter

This pamphlet addresses the procedures for applying for Sanctioned Chapter status with the International organization, opening a checking account, incorporating as a chapter, developing bylaws, and obtaining insurance. You will find the information to be quite complete and useful.
NAVHDA International Office, P.O. Box 520, Arlington Heights, Illinois 60006-0520.
Telephone 847/253-6488, Fax 847/255-5987, Web site www.navhda.org,
Email navoffice@navhda.org



File With the International Organization What it takes

- 1) The desire to promote the North American Versatile Hunting Dog Association's philosophy.
- 2) A minimum of 10 charter members, all of whom must be paid members of the International Organization.

Sanction the chapter

- 1) Choose a name for your chapter.
- 2) Draft a letter requesting to be sanctioned as a NAVHDA Chapter. Include your membership list of the 10 or more NAVHDA paid charter members.
- 3) Send the letter, membership list and all International membership dues to the NAVHDA International Office, P.O. Box 520, Arlington Heights, IL 60006-0520, to expedite your members' receipt of the International magazine. Please note any members who were paid NAVHDA members prior to the chapter formation.
- 4) The Director of Promotions will recognize the chapter in writing and will send a certificate of recognition, embossed with the International corporate seal, signed by the International President and Secretary.
- 5) Chapter liability insurance must be paid prior to sanctioning. The cost of this insurance to the new chapter will be based on a proration of the current year's chapter insurance rate, as of the month of sanctioning. For the exact amount due, contact the International office.
- 6) The Executive Council strongly suggests you incorporate as a not for profit and without stock corporation.

Obtain a Chapter EIN/Federal Tax Number

An Employer Identification Number (EIN) is a nine-digit the IRS assigns to identify the tax accounts of non-profit organizations and a variety of other entities. Caution: An EIN is for use in conjunction with your business activities. Do not use your EIN in place of a social security number. Use your EIN on your checking account. **Keep your EIN notification! Every chapter officer should also have a copy.** If the original is misplaced, at least you will have a copy available in the future years.

Go to www.irs.gov/businesses/small/article/0,,id=97860,00.html

The IRS web site contains instructions for filing for an EIN online or by telephone at (800) 829-4933.

Play by the rules

- 1) The International Organization is **NOT FOR PROFIT** and **TAX DEDUCTIBLE**. This exemption does not apply to local chapters. **No chapter may use the International NAVHDA Federal Tax Number as it could jeopardize NAVHDA's Federal tax deductible status.**
- 2) Dues paid to US chapters are not tax deductible unless the chapter is a 501(c)(3) corporation.

What the International tax deductible status can do for U.S. residents

- 1) A Judge or an Apprentice assigned by the International Organization may deduct any expenses from personal income tax for which they have not been reimbursed to the extent permitted by law if they request a letter of assignment from the Director of Judge Development.
- 2) A delegate to the International Annual Meeting may deduct any expenses on his/her personal income tax to the extent permitted by law for which he/she has not been reimbursed. The meeting program will suffice as documentation.
- 3) Any NAVHDA officer or person duly assigned by the International Organization to perform any act that requires expenditure of personal funds may deduct this expense* on his/her personal income tax to the extent permitted by law.

** All expenses must be itemized and accompanied by a letter of assignment from the International Organization. It is the responsibility of the individual to obtain this assignment letter from the International Organization.*

The International Organization or Director of Testing assigns all Judges in writing for sanctioned tests. This letter of assignment also makes the Judge or person assigned by the International Organization automatically covered by the International liability insurance policy (USA.)

Insurance for All Chapters Regulations and guidelines

- 1) It is mandatory that all U.S. chapters participate in the insurance program.

- 2) The International Organization will bill each chapter for their chapter insurance premium in October of each year. The amount billed will be equal to the previous year's premium. Any increase in the premium for the coming year will be billed in January as the balance of the premium due for that year.
- 3) Currently this policy cannot be extended to cover Canadian chapters. Canadian chapters are to have insurance coverage.
- 4) To list additional insured on your policy, you must apply annually. This list may include private or public lands that are used for chapter events. A complete name of the owner and location must be provided. There may be a charge for each additional insured. Please inquire about the current rate. If a certificate of insurance is required, it will be provided at no cost. In most cases state land only requires proof of insurance in the form of a certificate of insurance for their files.
- 5) Contact NAVHDA's International Office for all your insurance needs and questions.

Chapter Incorporation Just five steps to incorporation

- 1) The first step in incorporating is writing the Secretary of State in your state capitol. Request the necessary paperwork for incorporating as a **NOT FOR PROFIT AND WITHOUT STOCK CORPORATION** in your state. Fill out the forms as soon as you receive them. You will receive complete instructions from your state.
- 2) It is not necessary to hire an attorney to file your incorporation papers, unless you would feel more comfortable doing so. There is a small fee for incorporating, which varies in each state. You will also need to check if there is an annual fee or forms that must be filed to maintain incorporated status.
- 3) An agent of record should be a member of the chapter who will maintain a permanent address. He/she must live in the state of incorporation. To change the agent of record requires a special form and a very small fee. It is not necessary to keep changing the agent of record with each change of officers as long as the person listed is willing to maintain the mailing address and to perform the required duty of forwarding the mail. In most cases, the original document should be in the hands of the chapter secretary with copies given to **ALL** other chapter officers.
- 4) The legal responsibilities for the agent of record include having the documents delivered to the agent's home. Primarily, this position is one of a permanent address that is willing to receive and transmit papers to the chapter. The agent has no legal responsibility in that if someone sues the officers, directors or the corporation they cannot sue the agent unless the agent holds one of the above positions.
- 5) The chapter should inquire as to whether it will have to file a state income tax form once it has been granted this status. **BE SURE TO GET ALL FEDERAL FORMS MAILED TO THE PREVIOUS SECRETARY OR TREASURER.** Federal forms are automatically mailed to the address used the previous year.

Why incorporate?

- 1) It is easier to get a Federal Tax Number and the Treasurer will not have to use a personal social security number to open a checking account.*
- 2) An incorporated chapter may enjoy the benefits of NOW accounts and small saving accounts if you stay within the federal guidelines for income vs. expenses.
- 3) Potential personal liability is much less if the chapter is incorporated.

** Note: if you choose to have an interest bearing account, you must get a Federal Tax Number (EIN) or the Treasurer will have to declare the income as his/her personal income, since he/she has used his/her social security number to open the account.*

Chapter By-Laws

Chapter by-laws are not required by the International Organization; however, it is easier to function as a chapter if you have a set of formal guidelines. It also may be of assistance when applying for incorporation papers. You may write to the International Secretary for copies of other chapters' by-laws. You may add to, subtract from or copy them as you desire.

The by-laws are the basic rules and guidelines for operation of your chapter. **BE CAUTIOUS!** Don't be too specific, since amendments and changes are time consuming and difficult. Try to list the basic rules of membership, officers, elections, etc. in very general and broad terms. A chapter can then develop a set of rules or policies to be followed that are very specific. These rules are not a part of the by-laws and may be changed as needed or desired by the governing body.

Obtain a Checking Account

- 1) Choose a bank that is convenient for the Treasurer. Inform the bank that you wish to open a checking account for a nonprofit organization. The bank will provide you with forms that need to be signed by the officers. They will also require either a social security number or a Federal Tax Number (EIN).
- 2) Shop around the banks for requirements and items for organizations such as free checking, no monthly charges, etc. We also suggest more than one member of the chapter be authorized to sign checks. Some chapters require two signatures on each check written.
- 3) If you later receive a Federal Tax Number, present your letter from the Federal government to a bank officer and request that this number be used instead of the social security number. A W9 form will have to be completed. Use the chapter Federal Tax Number, **NOT THE INTERNATIONAL FEDERAL TAX NUMBER** or the Treasurer's social security number.

Information for Canadian Chapters

Register the checking account in the chapter name. Use the name of an officer or officers as signing authority.

Because of Canadian laws, it is not necessary to incorporate the chapter. Canadian chapters cannot be recognized as nonprofit organizations thus receiving tax benefits. Be sure to check with your bank for the most current rules and regulations.

Suggestions to Ensure Chapter Success

Tips to keep financial records and other assets in order:

- 1) Written bylaws that lay out financial procedures are helpful.
- 2) Require two signatures on all checks. Money should always be counted and verified by two people.
- 3) Have a separate account for the chapter's money. Chapter funds and deposits should NOT be deposited into a personal account.
- 4) Pay all bills by check.
- 5) Audit record books once a year. A new audit should be done any time a financial officer resigns.
- 6) Make sure bank statements are reconciled monthly.
- 7) Conduct regular elections for officers and board members.
- 8) Keep a list of all chapter assets. At least two people should have a copy. Update it every time new items are acquired.
- 9) Log where all items are housed. If items rotate among members, assign someone to record and monitor assets and their condition.
- 10) Create a policy regarding responsibility for replacing items including birds that are lost or destroyed; particularly for when members borrow items for their own personal use.

As chapters of the North American Hunting Dog Association, Inc., a California non-profit corporation which is recognized as a 501(c)(3) tax exempt entity by the IRS, the Executive Council strongly encourages each independent chapter to take steps to ensure your chapter's activities and operations are consistent with those of the NAVHDA, Inc. These steps would include, for example, being mindful of the IRS publications concerning political activity, etc. For further reference, the chapter's officers are encouraged to consult the following internet site: <http://www.irs.gov/charities/charitable/article/0,,id=163395,00.html>

The Restriction of Political Campaign Intervention by Section 501(c)(3) Tax-Exempt Organizations

Under the Internal Revenue Code, all section 501(c)(3) organizations are absolutely prohibited from directly or indirectly participating in, or intervening in, any political campaign on behalf of (or in opposition to) any candidate for elective public office. Contributions to political campaign funds or public statements of position (verbal or written) made on behalf of the organization in favor of or in opposition to any candidate for public office clearly violate the prohibition against political campaign activity. Violating this prohibition may result in denial or revocation of tax-exempt status and the imposition of certain excise taxes.

Certain activities or expenditures may not be prohibited depending on the facts and circumstances. For example, certain voter education activities (including presenting public forums

and publishing voter education guides) conducted in a non-partisan manner do not constitute prohibited political campaign activity. In addition, other activities intended to encourage people to participate in the electoral process, such as voter registration and get-out-the-vote drives, would not be prohibited political campaign activity if conducted in a non-partisan manner.

On the other hand, voter education or registration activities with evidence of bias that (a) would favor one candidate over another; (b) oppose a candidate in some manner; or (c) have the effect of favoring a candidate or group of candidates, will constitute prohibited participation or intervention.

The Internal Revenue Service provides resources to exempt organizations and the public to help them understand the prohibition. As part of its examination program, the IRS also monitors whether organizations are complying with the prohibition.

Dissolving a NAVHDA Chapter

Unfortunately not all NAVHDA Chapters meet with success. In the unlikely event a Chapter needs to be dissolved here are the steps that should be taken to finalize the process:

- 1) The Chapter's Board should have a majority vote to dissolve the chapter.
- 2) NAVHDA should be notified of the chapter's intent to dissolve so it can be removed from its records and so the insurance coverage can be suspended.
- 3) All chapter members should be notified of the chapter's dissolution.
- 4) A plan should be designed to distribute the chapter's assets. This is usually the most difficult task; but it doesn't have to be. NAVHDA's bylaws (section 6.02) requires all chapters to be non-profit organizations. Almost every state requires as a condition of being non-profit, that upon dissolution no private individual or entity may benefit from the entity's demise. Any residual money of a dissolved chapter, after all its bills are paid, should be given to a 501c3 charity (the North American Versatile Hunting Dog Association, Inc. and a few chapters have this status). The IRS publishes (www.irs.gov) a list of charities having 501(c)(3) status on their website. If an entity is on the list, it is ok for the chapter to distribute its assets to that entity.
- 5) Upon payment of all bills, the chapter's checking account should be closed.
- 6) The state of residence should be notified of the chapter being disbanded.
- 7) Check with the IRS to see what final return, if any, is required to be filed.

A chapter may be de-sanctioned at the will of the NAVHDA Executive Council, with or without cause or reason. Without limiting the foregoing, failure by a chapter to pay its annual insurance premium or its testing fees to NAVHDA, Inc., or if chapter related conduct reflects negatively upon NAVHDA, the chapter is at risk of becoming de-sanctioned.