

Finance Committee Meeting

COVID-19 Relief

May 11, 2020

Committee Attendees: Rob Copeland, Joe DeCarlo, Ian Goss, Sarah Grace Thompson, Steve Potter

Other Attendees: Megan Kingsley, Michael Smith - JDCPA

Rob Copeland, Finance Vice Chair (FVC), opened meeting with reading from Mission & Vision Statement, conflict of interest declaration, and review of agenda.

Minutes from 5/1/20 Finance Committee meeting approved.

Relief Program: Opening Discussion with Michael Smith – JDCPA with Baker, Donelson, Bearman, Caldwell & Berkowitz, PC.

- The proposed plan is OK from a Georgia corporate legal perspective.
- The proposed plan poses a high degree of risk in giving money to a non-501(c)(3) with the IRS. He believes that it would potentially violate the USAS 1023 exemption and could result in an IRS audit and loss of our non-profit status.
- The IRS will look at programs such as this on a case-by-case basis, and there is no case law to support what we're trying to do.
- The way around the 'for-profit' risk is by making this a loan which would require securing the loan against club property and charging interest – something GASI isn't set up to administrate – not an option.
- We discussed that about 40% of our member clubs are for profit, and there is zero guidance in tax code and case law. We would have to assume that we would be subject to an IRS audit and potential sanctions.
- The legal cost of defense with the IRS would be \$2k to \$4k to defend and upwards of \$50k to defend GASI in court.
- Mike commented that his first line of defense would be that 'the Program is in the Public Interest and the right thing for the LSC to do for member clubs.' He agreed that this is the right thing to do for our member clubs. Preventing clubs from failing would be in the Public Interest.
- Mike would like to have a conversation with USAS counsel or counsel with another LSC providing relief to get their thoughts on avoiding private inurement prohibition.
- Mike advised that our W9 requirement with 'for profits' and that the payment may be taxable income may help us with the IRS.

Treasurer: Joe reported that the April EOM and Balance Sheet is done. He is on the signature card and admin should be done any day now. We will have another month with Gary helping the transition.

Relief Recap & Next Steps:

- Rob disagreed with Michael's positioning on the relief program but agrees with the need to investigate thinking related to USAS grants and other LSC's relief programs.
- Rob will seek guidance from contacts at USMS related to their club relief.
- Steve will take another run at [unresponsive] USAS legal counsel on how they got comfortable with their club grant program.

- Potter continued that all such legal decisions are ultimately business risk decisions. An attorney is there to advise as to relative levels of risk. We have numerous risk mitigants including:
 - This is a Program with payment for member clubs completing safe sport recognition...payment for services.
 - GASI allowing 25% to 50% of our member clubs to fail and competitive swimming to disappear in communities across the state would not be in the Public Interest.
 - Requiring W9s and advising for-profit clubs that the payment may be taxable income may help to satisfy the IRS.
 - USA Swimming is providing grants and encouraging LSCs to do the same, and we are all under the USAS 1023 exemption. The IRS would likely go after USAS and LSCs collectively and not single out GASI.
- Motion to recommend \$125,000 total relief package was approved unanimously.
- Motion to recommend waiving any LSC sanction fees (the 7% to GASI) for the remainder of fiscal 2019/20 (summer meets) and allow clubs to keep all sanction fees was approved unanimously.
- Discussed possibilities for 2020/21 fiscal year and the potential challenges for Joe and Rob to craft a budget for Fall HoD approval.
- We need Beau to bring budget requirements for Zoom virtual HoD meeting to the Board meeting on Wednesday for approval.

Next Finance Committee meeting Friday, May 18, 6:00 to 7:00 PM.

Motion to adjourn passed.