



## Michigan Garden Club, Inc. Articles of Incorporation (AOIs) Questions You Might Have

### **1. What are Articles of Incorporation (AOIs)?**

**Articles of Incorporation (AOIs)** refers to a set of formal documents filed with a government body, in this case the State of Michigan, to legally document the creation of a domestic (nonprofit) corporation. When The Federated Garden Clubs of Michigan first incorporated as a nonprofit corporation on September 4, 1942, the first Articles of Incorporation were filed. These articles have been amended once in October 1979 and restated and refiled in September 7, 2005 when The Federated Garden Clubs of Michigan Inc. became the Michigan Garden Clubs Inc.

As a 501c3 nonprofit corporation MGC is required to keep these documents updated and amend or restate and refile when changes are made.

### **2. Why are We Revising the Current MGC Articles of Incorporation Now?**

On January 15, 2015 significant amendments were made to the Michigan Nonprofit Corporation Act. Of particular importance to MGC was the expanded liability coverage for officers and board members, and the use of mail and electronic transmissions guidelines for voting by the board and the members without a meeting. These changes required that specific language needed to be included in the Articles of Incorporation. MGC's current AOIs either do not contain the required language or the current language is outdated based on the changes to the Michigan Nonprofit Corporation Act.

### **3. What is in the AOIs?**

In addition to containing pertinent information such as corporation name and purpose there are thirteen sections or articles. Some of the sections (articles) require more extensive wording than the form allows so in addition to the form, an attachment is included.

### **4. How Was the Wording for Article II Purposes of the Corporation Determined?**

In addition to the required legal wording, the specific language for the purposes of MGC was taken directly from the stated mission of MGC.

### **5. How Does Article III that references stock apply to MGC -there is no stock?**

While as a nonprofit there is no stock, how MGC as a corporation, is formed is a very important decision. It determines how the organization will be governed. MGC is a **membership** organization and the members vote to elect the officers and vote on important organizational matters such as approving these proposed AOI documents. The MGC bylaws define **membership as clubs, not individuals.** Our clubs, based on size, appoint or elect and send delegates to vote at the annual MGC meeting.



**6. Article VI –Prohibited Political Activity –Why Then Is MGC promoting the Black Swallowtail legislation**

The key wording in section VI Prohibited Political Activity is “No **substantial** part of the activities of the Corporation...” The activities MGC is currently engaged in with respect to the Black Swallowtail legislation are not at all substantial in terms of dollars (less than ½ of one percent of total budget) and total volunteer hours when compared to all of the other MGC programs. IRS Rules and Regulations permit an insubstantial part of a charitable organization’s, 501(c)(3), activities to be focused on legislative activities. Moreover, most of the campaigning for the Black Swallowtail Butterfly legislation has been done by individuals, not MGC.

**7. Section VII Private Inurement –why is that section necessary?**

This is a very important article and private inurement is what separates a nonprofit from a for profit corporation. Unlike a for profit corporation, no individual member may have interest in or benefit from the property, earnings or revenue of the corporation. However the nonprofit corporation “may pay reasonable compensation for goods provided and services rendered.” The approval of the MGC Remuneration Policy at the 2017 November Board of Directors meeting has defined guidelines for reasonable compensation of MGC Board of Directors and officers.

**8. Will Article VIII “Ballot Voting of The Members Without a Meeting” change how our annual meetings are conducted?**

MGC will always hold an annual business meeting for member clubs to attend to provide updates on the year’s activities and accomplishments and also for voting on important matters. This article allows MGC to provide for ballot voting for member clubs instead of requiring a meeting as an option only.

**9. Articles X Personal Liability Limitations for Directors and Officers is not in the current AOI. Why has it been added?**

Article X is one of the most important additions to MGC’s current AOI. It only pertains to volunteer Officers and Directors. Currently our officers and our board members are not afforded the liability protection provided by the Michigan Nonprofit Corporation Act against actions or inactions they take because our current AOIs contain no language covering liability. Unfortunately, in today’s litigious society, this article is absolutely essential for MGC to continue to function as individuals may refuse to volunteer for board or officers’ positions and assume personal risk.

**10. Article XI – Assumption of Liability for Volunteers is not currently in the AOI. Why has this one been added?**

Article XI speaks to the assumption of liability for volunteers of MGC if the action, failure to act or damages of any sort occurs to an outsider, not members of MGC or MGC, the corporation. This Article provides for the assumption of liability for volunteers, in addition to officers and directors,



under certain circumstances and if the Board agrees to do so. The liability *may* be assumed by MGC but is not mandatory by the wording of this provision.

***11. What happens if these proposed Restated Articles of Incorporation are not approved at the annual meeting?***

MGC may lose some of its current officers or directors who have expressed great concern about their personal liability exposure. More importantly **MGC will be not be operating as a nonprofit corporation in accordance with several provisions contained in the Nonprofit Corporation Act of Michigan, taking full advantage of the changes in Michigan law.**