

<p align="center">Sangre de Cristo Ranch Owners, Inc. Board of Directors Meetings</p>	<p align="center">Zoom meeting ID: 834 9260 1289 Zoom passcode: 543203</p>
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**SCRO BoD Regular Monthly Meeting for January 2026
Thursday, January 8, 2026, 8:30-10:00am on Zoom**

Agenda Packet

Zoom link: <https://tinyurl.com/prer5uav>
(instructions for Zoom are on page 8)

Call to order

Welcome to all.

This meeting is being audio- and video-recorded and will subsequently be published to a publicly accessible website. If you do not wish to be part of the recording, please take steps now to protect your identity. You may keep your camera turned off, you may use a meeting identifier other than your name, and you may decline to participate in the meeting.

Please keep your mic muted except when you are actively speaking. This will help manage background noise.

Individuals wishing to speak during the “Community input” portion of the meeting are requested to post their first and last names, and their relationship with the community (property owner, property tenet, prospective owner, representative from another community or organization, etc.) in the meeting room chat as early in the meeting as possible. The message should be visible to “everyone.” Community members may speak even if they are not a member of SCRO. Please note that the information you provide in the meeting room chat will be on public record.

Individuals wishing to speak but who are participating via phone call can request to be added to the queue at this point in the meeting.

Roll call

President: Nancy Frase
Vice-President Josabeth (Jo) Way
Secretary: Mike Powell
Treasurer: Dagmara (Mara) Rodriguez-Walters
At Large Member: Steve Navratil
At Large Member: Scott Cessac
At Large Member: Margie Palmer

Four board members are required for a quorum

Review of agenda

Discussion: Consider requests for modifications to the agenda

Community Input

Community members wishing to make a public comment will be called upon in the order they added themselves to the meeting room chat. Individuals participating via phone call will be allowed to comment before those participating via the audio/video interface.

When you are recognized, please unmute your mic, then state your name and your relationship with the community. Then, begin your comments. You are encouraged to be prepared, and comments will be limited to five minutes. Comments are to be respectful (i.e., no personal attacks) and relevant to the Sangre de Cristo Ranches community. Please be aware that your comments are being audio- and video-recorded, and will subsequently be published to a publicly accessible website.

The SCRO BoD will not respond to any questions or comments made by community members during this section of the meeting, through it will take all input under advisement.

Review of meeting minutes

Discussion: Consider requests for modifications to the minutes from the November 6th, 2025, regular board meeting (see attachment “DRAFT November Minutes”)

Vote by voice: Motion to “approve the minutes from the November 6th, 2025, regular board meeting as presented [with the following amendments...]”

Discussion: Consider requests for modifications to the minutes from the December 4th, 2025, regular board meeting (see attachment “DRAFT December Minutes”)

Vote by voice: Motion to “approve the minutes from the December 4th, 2025, regular board meeting as presented [with the following amendments...]”

Review of outstanding action items

Discussion: Review the status of outstanding action items (see attachment “Action Items”)

- Red items will be addressed at this point in the meeting
- Blue items will be addressed later in the meeting

Ratification of actions taken outside of a properly noticed board meeting

None

Miscellaneous administrative matters

None?

January 31st membership meeting

Discussion: Consider the following concerning the upcoming membership meeting:

- Guest speaker
- Topics covered
- Maybe cancel the January 22nd work session?

Board member/officer resignation/vacancy

Discussion: Consider the resignation of board member and secretary Mike Powell, effective January 22, 2026:

Email from Board Member Powell on January 3, 2026:

“Hello Nancy and Vice President Josabeth. I hope everyone's New Year is off to a good start and the pleasant weather is providing an opportunity to prepare for the winter weather that will undoubtedly eventually arrive.

I am very pleased to see the positive direction SCRO is taking and very, very impressed with the organizational abilities Nancy brings to the table.

I will resign my position on the Board at the conclusion of the January work session which I think will likely be 1/22. I have many interests and activities and must "right size" going into 2026. I leave you all with my sincere best wishes and from that time on I will cheer from the sidelines.

Many Thanks!
Mike Powell”

Vote by voice: Motion to “accept the resignation of board member and secretary Mike Powell, effective at the conclusion of the [January 22 work session?]”

Discussion: Identify the process for recruiting a new board member and a new secretary.

501(c)(3) non-profit status

Background: During each SCRO meeting, there has been a consensus that SCRO needs to establish or partner with a 501(c)(3) nonprofit. During the Nov 6 board meeting, Board Member Navratil accepted an action item to prepare and deliver a presentation on the various options the board could consider for accomplishing this goal. During the December 4th board meeting, Board Member Navratil accepted an action item to request a proposal from a local nonprofit consultant to be considered by the board.

Presentation given by and discussion led by Board Member Navratil: Proposal from Nicole Langley, Transforma Research and Design, LLC.

The following is an excerpt from a 12/8/25 email from Board Member Navratil:

Hello SCRO board...

As requested at the last board meeting, presented for your approval is the non-profit expert & consultant proposal and draft contract. I have also included my report as well without the IRS documents which should be formally acknowledged and accepted by the board since it is a basis for the decision to consider the proposal.

Please be gently reminded that a NEW entity needs to be established BEFORE a 501(c)(3) determination can be applied for to the IRS. It also needs to be completely independent of SCRO from inception and must not have anyone involved with SCRO in it's founding that may present a special relationship or conflict of interest appearance.

I will be happy to resign from SCRO in all capacities to be on the founding team of this new corporation and invite others to join in as well. My association with SCRO is limited and ancillary, and I believe creating this entity is the best course of action possible moving forward for the community and enhancing the efficacy of our shared vision of the future.

The creation of this new entity needs to be done correctly and bringing the consultant on board as early in the process as possible should be done.

I have been asked to include this introduction from Nicole:

I understand that SCRO is asking me to create a Proposal. Since I am not in any advisory or consulting role at this time, and since I do not and will not pretend to give legal or operational guidance, I can only summarize my understanding of SCRO's situation, based on Steve Navratil's Report, and suggest that SCRO consider hiring Transforma Research and Design to do what we do best, which is as follows:

Transforma Research and Design provides research, technical and business writing, grantsmanship and project management services to businesses, nonprofits, municipalities, counties, and community organizations. We work by contract, with a client base rooted in the six counties of the San Luis Valley, as you will see in the list of projects I have served and funded.

Depending on the level of organization which SCRO has already done, i.e. creating Articles of Incorporation, Bylaws, established a Mission Statement and a Board of Directors, and conducting public meetings and outreach, I assume you all have read and carefully studied Steve's Report, as I believe it clearly lays out the various ways to either go forward with the existing entity or starting an entirely new one.

If you have not done that preliminary work, I am available to take you through a SWOT Analysis -- a group exercise examining the Strengths, Weaknesses, Opportunities and Threats of your different options. The outcome of that process almost always clears the pathway for what lies ahead. This is never done in public, but is an internal executive-level planning tool for finding clarity and direction. I have not included any organizational guidance or facilitation in this package, as such would be by separate agreement.

Steve asked if I would assist SCRO in preparing and submitting the federal application for a new 501(c)(3) organization, so I have drafted the attached Proposal and Contract, assuming that SCRO's Board is ready to apply. I also include a list of required documents and data, and I've indicated those places where you would need a guiding hand to provide "approvable" IRS wording. Again, any additional consulting for those purposes is not included in this Proposal and Draft Contract.

The Sangre de Cristo Ranches has been my home since 1994. Since then I have seen the original HOA (real, imagined, or unreal) go through many changes. If SCRO decides to use my services, the attached Proposal and Suggested Contract will be helpful to SCRO in determining how and when to proceed.

Thanks for this opportunity to provide the professional services required for SCRO to become a federal 501(c)(3) nonprofit organization. I will be pleased to do whatever I can to benefit our community.

Nicole V. Langley, M.A.
Transforma Research and Design LLC
1706 Sonora Road
Sangre de Cristo Ranches
Fort Garland, CO 81133
719-588-4109

The following is an excerpt from a 12/8/25 email from Board Member Navratil:

Hello SCRO board...

Nicole clarified a statement I made regarding the new 501(c)(3) entity board needing to be free of SCRO involvement. This is her verbatim reply to me:

You said --

"It also needs to be completely independent of SCRO from inception and must not have anyone involved with SCRO in it's founding that may present a special relationship or conflict of interest appearance."

This is not true at all. The "special relationship" clause in the IRS application only requires an explanation of the way in which this new organization is related to any other organization with which it has had -- or intends to have -- relations.

You might want to go back and clarify that because your consultant believes it is important to identify, distinguish, explain, enlighten folks, and make VERY clear exactly why this new organization is being formed. It will make for a good strong case in the application. This is exactly why I continue to make the point that assumptions, ideas, fears, opinions etc regarding the IRS and nonprofits need to be carefully studied, understood, and accurately addressed, both in the application and in the execution and operation of the new entity.

So Steve - I suggest you might want to just forward this message to SCRO. It is not at all necessary to "not have anyone involved with SCRO in its founding that

may present a special relationship".... you in fact DO have a special relationship. AND it appears that SCRO is making a very good brave effort to remedy, improve, and make real some of the original ideas and purposes of the (old) SDCRO etc efforts.

Correctly and carefully addressing the "special relationship" issue is something which, as I suggested earlier, presents a delicate and strategic opportunity to anticipate the FUTURE dissolution of the old entity, while preparing for that event by creating the NEW entity as a true nonprofit, to which the assets of the old entity can be transferred. Again, it's not a guarantee. I can't guarantee anything. But I do believe this clause in the application provides an excellent opportunity to make a statement to the IRS, to the community, and to the whole world that this new group of people mean what they say and are able to put the case forward in the best way possible. I might be wrong. I am willing to take the risk of being wrong, in which case nothing would happen and everybody goes on doing whatever they're doing now -- and incurring whatever THOSE risks are.

I would put my money on dealing honestly and directly and creatively with the situation which exists -- making a "best foot forward" case to the IRS.

Plese don't mess with this email. Please forward it to your folks -- it's no sin to make a mistake. It's just a matter of making things better and better at every opportunity.

Respectfully,

Nicole

This is why you must hire her! My assumption was based on a search result from a law firm so I stand corrected. Thank you Nicole!

Steve-

(See attachments "Proposal and Suggested Contract" and "SCRO Reorganization Report...")

Strategic plan for SCRO

Background: During each SCRO meeting, there has been a consensus that SCRO needs to develop a robust strategic plan to capture the purpose and strategy for fulfilling our mission, especially as we consider establishing a 501(c)(3) nonprofit. During the Nov 1 membership meeting, Board Member Frase accepted an action item to lead the development of that strategic plan.

Discussion led by Board Member Frase: Consider the purpose of SCRO and the direction the board would like to lead the organization and the community.

Announcements

Next social event: TBD

Next regular board work session: Thursday, January 22, 2026, at 8:30-10:00am on Zoom (unless cancelled)

Next regular membership meeting: Saturday, January 31, 2026, at 10:00am-12:30pm on Zoom (self-organized small groups encouraged)

Next regular board meeting: Thursday, February 5, 2026, at 8:30-10:00am on Zoom

Adjourn

About Zoom

Zoom link: <https://tinyurl.com/prer5uav>

Zoom meeting ID: 834 9260 1289

Zoom passcode: 543203

To join the Zoom meeting using audio and video:

- 1) Ahead of the meeting, download the Zoom app from the appropriate app store onto a device that has speakers, a mic, and a camera (camera is optional). You only need to do this one time.
- 2) A few minutes before the meeting, either click on the Zoom link (provided above) or, from within the app, click the “Join” button and enter the meeting ID & passcode (provided above).
- 3) You will be presented with a screen in which you can adjust your audio and video settings. When you are ready to join the meeting, click the “Join” button and you will be placed in the meeting’s waiting room.
- 4) The meeting host will admit you into the meeting.

You can also dial-in from your phone (voice only):

- 1) Call 719-359-4580.
- 2) When prompted, enter the meeting ID (provided above) followed by the pound key.
- 3) When prompted for participant ID, just press the pound key (you don’t have a participant ID).
- 4) When prompted, enter the meeting passcode (provided above) followed by the pound key.
- 5) You will be placed in the meeting’s waiting room.
- 6) The meeting host will admit you into the meeting.

<p>Sangre de Cristo Ranch Owners, Inc. Board of Directors Meetings www.scrocommunity.org</p>	<p>Zoom link Zoom meeting ID: 834 9260 1289 Zoom passcode: 543203</p>
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SCRO BoD Regular Monthly Meeting: November 2025
Thursday, November 6, 2025, 8:30-10:00am on Zoom

Draft Meeting Minutes

Bracketed numbers show the related time marks within the video recording of the meeting

Call to Order [Part 1, 1:22]

The meeting was called to order at 8:33am by the meeting chairperson, Board Member Frase.

Roll Call [Part 1, 2:44]

President: Nancy Frase - PRESENT
Vice-President: Jo Way – ABSENT (gave notice at 7:52am)
Secretary: Mike Powell – PRESENT
Treasurer: Mara Rodriguez-Walters – PRESENT
At-Large Member: Steve Navratil – PRESENT
At-Large Member: Scott Cessac – PRESENT (arrived at 8:37am)
At-Large Member: VACANT

Four of six members were present at 8:33am; a quorum was established. Five of six members were present at 8:37am; a quorum continued to be present.

Review of Agenda [Part 1, 3:36]

The board considered requests for modifications to the agenda; no requests were heard.

Community Input [Part 1, 3:56]

No community members spoke.

Review of meeting minutes [Part 1, 4:14]

The board considered requests for modifications to the minutes from the October 2nd, 2025, regular board meeting; no requests were heard.

Board Member Rodriguez-Walters moved to approve the minutes from the October 2nd, 2025, regular board meeting as presented; Board Member Navratil seconded the motion. A voice vote resulted as follows: The yeas prevailed; motion passed. (Board Member Frase took the motion and second but then forgot to actually conduct this vote at this point in the meeting; rather, the vote was conducted later in the meeting [Part 1, 15:27 in the video].

Review of outstanding action items [Part 1, 5:34]

The board reviewed the status of outstanding action items. Updates of note include:

- AI #49: Board Member Rodriguez-Walters reported that SCRO was able to acquire a debit card attached to SCRO's bank account; this will facilitate online payments that have historically been paid for through board members' personal credit cards then reimbursed. In the past, the bank has not been willing to provide a debit card because of the two-signature requirement (contained in SCRO's bylaws) associated with check-writing. However, as long as SCRO has a controller (in this case, Board Member Rodriguez-Walters), the bank is willing to issue a debit card. Board Member Frase accepted responsibility for the existing related action item (#30) to "lead a discussion on how the two-signature requirement in the bylaws could be met when a debit card is used for payment."
- AI #299: Board Member Rodriguez-Walters reported that the current year's member roster is up-to-date and that she is contacting people who have been members in the past to encourage them to re-join.
- AI #32: Board Member Rodriguez-Walters and her husband conducted a detailed inventory of the contents of the storage unit. The unit contains about seven boxes of paper files (going back to the 1990s) as well as a grill and multiple boxes of miscellaneous items (Christmas decorations and a Santa suit, etc.). Next steps include deciding how to scan and store digital copies of the paperwork and how to dispense of or store the miscellaneous items; these topics need to be discussed in future board meetings and/or work sessions.
- AI #297: Board Member Rodriguez-Walters reported she is almost finished with the draft of the member welcome packet. The next step is for the board to review the draft at a future board meeting and/or work session.

Ratification of actions taken outside of a properly noticed board meeting [Part 1, 14:03]

The board reviewed one action taken outside of a properly noticed board meeting:

Action #1 on 10/24: During the Oct 16 work session, Board Member Way accepted an action item to follow up with the original board member candidates that were considered for appointment on Sep 4th to see which one(s) are still willing and able to be considered for appointment during the current (Nov 6th) board meeting. This resulted in the identification of one viable candidate, Margie Palmer. The board voted, via email, to not recruit additional candidates and to consider Ms. Palmer, alone, during the Oct 6th board meeting.

Board Member Cessac moved to ratify action #1 as presented; Board Member Powell seconded the motion. A voice vote resulted as follows: The yeas prevailed; motion passed.

Board member/officer resignation/vacancy [Part 1, 16:00]

The board discussed the resignation of Board Member Eric Averett; the board expressed their appreciation for his willingness to play an important role in SCRO's efforts to serve the Ranches community.

Board Member Powell moved to accept the resignation of Board Member Averett, effective October 13, 2025; Board Member Rodriguez-Walters seconded the motion. A voice vote resulted as follows: The yeas prevailed; motion passed.

The board discussed the appointment of Margie Palmer to SCRO's Board of Directors.

Board Member Powell moved to appoint Margie Palmer to SCRO's Board of Directors; Board Member Rodriguez-Walters seconded the motion. A roll-call vote resulted as follows: Yeas – Frase, Powell, Rodriguez-Walters, Navratil, Cessac; Nays – None. Motion passed 5-0.

Miscellaneous administrative matters [Part 1, 19:36]

No miscellaneous administrative matters were presented or discussed.

Water rights attorney [Part 1, 19:48; Part 2, 0:00]

Board Member Rodriguez-Walters moved to enter into an executive session to discuss the latest update from SCRO's water rights attorney; Board Member Cessac seconded the motion. A roll-call vote resulted as follows: Yeas – Frase, Powell, Rodriguez-Walters, Navratil, Cessac; Nays – None. A voice vote resulted as follows: The yeas prevailed; motion passed.

The board members moved into a private meeting Zoom room for the executive session. After the executive session, the board returned to the main Zoom room.

Board Member Powell moved to suspend the performance of legal services by SCRO's water rights attorney; Board Member Rodriguez-Walters seconded the motion. A roll-call vote resulted as follows: Yeas – Frase, Powell, Rodriguez-Walters, Navratil, Cessac, Palmer; Nays – None. Motion passed 6-0.

Board Member Rodriguez-Walters moved to approve the payment of the additional approximate \$90 currently owed to the water rights attorney that is above and beyond the \$7,000 expenditure previously authorized by the board; Board Member Palmer seconded the motion. A roll-call vote resulted as follows: Yeas – Frase, Powell, Rodriguez-Walters, Navratil, Cessac, Palmer; Nays – None. Motion passed 6-0.

Budget [Part 2, 2:58]

The board discussed the long-term strategy for SCRO's budget (see agenda attachment "Financial Summary"). Comments included:

- SCRO's outgo significantly exceeds its income; the board needs to cut expenses and increase revenue; the board is working to increase membership by increasing

the benefits of membership; the board is considering transitioning to a 501(c)(3) nonprofit status to increase fundraising options.

- Board Member Frase accepted an action item (AI #313) to explore if there is a more cost-effective option for SCRO's general liability insurance and officer bonds.
- SCRO has spent over \$6,000 in the past three years on meeting space rental and food for meetings; this cost will hopefully be reduced significantly by holding the majority of the meetings on Zoom.
- The board discussed spending money on renting a meeting space for the upcoming Ranch-giving dinner; the board expressed an interest in joining the community event hosted by Jo Way (who happens to also be a SCRO board member) on that that same day, possibly providing some assistance with the event and possibly providing food for everyone who has invested resources in the event; the board would like to create a flyer or postcard to hand out at the event, either to everyone who assists with the event and/or everyone who attends the event; Board Member Powell modified his action item (AI #99) to include coordination with Board Member Way to determine what options work best and then to lead the effort to implement the chosen option; the board authorized an expenditure of up to \$250 for food and/or meeting space rental.
- Board Member Way is working on preparing a draft budget (AI #33); the draft budget was not available for this board meeting; the board will review it during a future meeting.

Newsletter [Part 2, 35:31]

The board discussed the re-launch of SCRO's newsletter. The highlights of the discussion include:

- Board Member Palmer accepted an action item (AI #314) to create a "handout" proposing a plan for the relaunch of the Pinon newsletter for review at a work session.
- Board Member Rodriguez-Walters accepted an action item (AI #315) scan (or photograph) and email (or text) to Board Member Palmer some sample historical Pinon newsletters.

Nonprofit status [Part 2, 43:29] (*unscheduled agenda item*)

The board discussed the possible reorganization of SCRO from a 501(c)(4) to a 501(c)(3) to facilitate greater fundraising. The highlights of the discussion include:

- Board Member Navratil accepted and action item (AI#317) to create a "handout" proposing different options for establishing a 501(c)(3) organization for review at a work session.

Announcements [Part 2, 52:12]

Board Member Frase called attention to the announcements contained in the agenda.

Adjourn [Part 2, 52:22]

The meeting was adjourned at 9:58am.

DRAFT

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SCRO BoD Regular Monthly Meeting: December 2025
Thursday, December 4, 2025, 8:30-10:00am on Zoom

Draft Meeting Minutes

Bracketed numbers show the related time marks within the video recording of the meeting

Call to Order [0:48]

The meeting was called to order at 8:39am by the meeting chairperson, Board Member Frase.

Roll Call [2:23]

President: Nancy Frase - PRESENT
Vice-President: Jo Way – PRESENT (gave notice of tardiness at 8:27, arrived at 8:42am, left at 9:45am)
Secretary: Mike Powell – ABSENT
Treasurer: Mara Rodriguez-Walters – PRESENT
At-Large Member: Steve Navratil – PRESENT
At-Large Member: Scott Cessac – ABSENT
At-Large Member: Margie Palmer - PRESENT

Four of six members were present at 8:41am; a quorum was established. Five of six members were present at 8:42am; a quorum continued to be present.

Review of Agenda [3:26]

The board considered requests for modifications to the agenda; no requests were heard.

Community Input [3:45]

No community members spoke.

Review of meeting minutes [4:15]

The draft meeting minutes for November 6, 2025, were not ready for review. They will be reviewed at the January board meeting.

Review of outstanding action items [4:20]

The board reviewed the status of outstanding action items. Updates of note include:

- AI #32: Board Member Rodriguez-Walters reported that she and her husband have brought all the paper files from the storage unit to their house, and she has started sorting the files to determine what quantity of the papers will need to be scanned.
- AI #315: Board Member Rodriguez-Walters confirmed that she emailed scans of historical newsletters to Board Member Palmer.

Ratification of actions taken outside of a properly noticed board meeting [6:40]

None

Miscellaneous administrative matters [6:47]

Board Member Rodriguez-Walters reported that she has been contacting former SCRO members, encouraging them to rejoin, and eight new members have joined recently.

Newsletter [7:25]

In response to AI #314, Board Member Palmer prepared a proposed format for the to-be-launched Pinon newsletter (see agenda attachment titled, "The Pinon") and sent that proposal to all the board members for review a couple of weeks ago. Then, in response to AI #316, she presented and led a discussion during this board meeting on the same topic. Logistics were discussed, such as: Production schedule and lead time, logo, removal of "HOA" and "covenants" from the newsletter, digital vs printed versions, professional advice on how advertising could be incorporated without jeopardizing SCRO's nonprofit status, frequency of publication, budget, audience, etc.

Board Member Frase accepted two action items related to the types of information we want to disseminate, the audiences we want to disseminate to, and the mediums through which we can disseminate that information. AI #331 pertains to the creation of the related handout and AI #332 pertains to the related presentation/discussion.

Board Member Palmer accepted two action items related to the logistics specific to the newsletter (as listed in the first paragraph). AI #333 pertains to the creation of the related handout and AI #334 pertains to the related presentation/discussion.

Strategic plan for SCRO [42:15]

In response to AI #309 (Lead the development of a strategic plan for SCRO), Board Member Frase requested feedback from the board on the best way to develop a strategic plan. The general consensus among the board members was that the topics listed on the "priorities" tab of the website would provide a solid framework for a strategic plan. Based on that feedback, Board Member Frase will bring each topic (or cluster of topics) to the board to determine how that topic/cluster might fit into a strategic plan.

Member welcome packet [45:32]

In response to AI #298, Board Member Rodriguez-Walters gave a presentation and led a discussion pertaining to her draft template for a member welcome packet (see agenda attachment "Welcome Packet"). The discussion focused on who would be the intended audience, in what format would the packet be delivered, and the associated costs.

Board Member Rodriguez-Walters accepted two action items related to the creation of a proposal containing a final draft of the membership packet and the logistical details (audience, cost, etc.). AI #335 pertains to the creation of the proposal and AI #336 pertains to the related presentation/discussion.

Budget [53:43]

In response to AI #301, Board Member Way gave a presentation and led a discussion on a draft budget (see agenda attachments “Financial Summary...” and “Budget Template...”). The board provided feedback on various line items that needed to be adjusted. Board Member Frase accepted an action item (#337) to Research what liability insurance and bonding is required by state law and/or SCRO's bylaws; research if there are less expensive options. Board Member Way agreed to continue working on AI #33 and to propose a longer-term budget strategy that demonstrates how SCRO might reach a balanced budget within a given number of years.

501(c)(3) non-profit status [1:03:37]

In response to AI # 318, Board Member Navratil gave a presentation and led a discussion on the various options available for establishing or partnering with a 501(c)(3) nonprofit for fundraising and grant opportunities. His related handout was inadvertently excluded from the agenda packet, so it has been appended to these minutes (see attachment titled, “SCRO Reorganization Report...”).

Board Member Navratil recommendation is as follows:

Due to the complex and sometimes troubled history of this organization over many decades, this Report suggests the best likely choice is option one as follows:

- Continue operating as a 501(c)(4) while clearly communicating the community support intentions expressed in SCRO’s mission statement. The existing SCRO stays the same as it always has until the appropriate time to dissolve it.
- Minimize costs and dedicate expenses to resolving the legal and reorganizational issues of the organization.
- Create the charitable nonprofit as a separate and new organization, starting from scratch. In order to establish some distance from the “special relationship”, this Report suggests choosing a distinctly different name that captures the spirit but which can’t be mistaken for SCRO.
- Submit the application, and once the new 501(c)(3) is approved and operational, the assets of the existing SCRO can be transferred to the new non-profit. This meets IRS requirements for dissolution, with the original 501(c)(4) properly dissolved.
- It’s very important that no conflicts of interest are apparent or implied, so the language of the application must contain the appropriate IRS-acceptable language.

- Have a trusted, affordable attorney review before submission.

Board Member Navratil has acquired an offer from a local nonprofit consultant with an impressive track record, who is willing to walk SCRO through the process for a flat fee of \$5,000; there would be an additional fee of approximately \$500 for a review of the application by an attorney. Board Member Navratil accepted an action item (#338) to arrange for the consultant to prepare a formal written proposal for the board to review.

Announcements [1:20:40]

Board Member Frase called attention to the announcements contained in the agenda.

Adjourn [1:21:00]

The meeting was adjourned at 10:00am.

Action Items – last updated 1/7/25

Black items – on track

Gray items – recently completed

Blue items – will be addressed later in this meeting

Red items – status requested at this point in this meeting

Board Member Nancy Frase (President)

#13: Lead the effort to figure out how to facilitate a hybrid format (Zoom and in person simultaneously) for the membership meetings and present those ideas at the October meeting. There is both a short-term and a long-term component to this issue. A short-term solution might involve having people meet in small groups throughout the community in homes that have strong enough internet service to support Zoom. A long-term solution might involve finding a facility large enough to accommodate the entire group at once and with full hybrid-meeting functionality. [8/7 board mtg]

#20: Ensure SCRO's tax and BOI filings are up-to-date (last tax filing seems to be 2020). [8/7 board mtg]

#26: Create a directory on SCRO's website for local businesses. It was noted that during the Sep 18 work session, the board decided to add a directory of local businesses to the website. This directory will be provided to the community at no cost to the businesses or consumers. Any business that provides products and services to those living in the Ranches can request to have their contact information posted in the directory by sending that information to SCRO's email (communityscro@gmail.com). [10/2 board mtg]

#27: Lead a discussion, during a work session, on building permits. [9/4 board mtg]

#30: Lead a discussion on how the two-signature requirement could be met when a debit card is used for payment. [9/4 board mtg]

#40: Establish and publish, to the website, a protocols document, and to add details to that document as they become known. [9/4 board mtg]

#41: Record in the protocols that agenda packets for any meetings are to be published at least one week prior to the scheduled meeting, and that presentation summaries on the agenda of a given meeting are to be sent to the president no later than 11 days prior to the scheduled meeting. No later than 18 days before a scheduled meeting, the president will share with the board members what presentations will be included in an agenda and remind board members to submit summaries of those presentations in a timely manner. [9/4 board mtg]

#42: Record in the protocols that board members are to include more detail in the subject line of board-related emails to help with management of the large volume of emails. [9/4 board mtg]

#43: Record in the protocols that the treasurer is to submit a financial report for inclusion in the agenda packet 11 days ahead of each monthly board meeting; this protocol will not take effect until after the board approves the budget. [9/4 board mtg]

#44: Schedule the discussion of the following in a future board meeting: The inclusion in the agenda of a monthly report on the current quantity of SCRO members. [9/4 board mtg]

#45: Schedule the discussion of the following in a future board meeting: A monthly publication of a report showing the amounts paid for properties sold in the Ranches. [9/4 board mtg]

#46: Record in the protocols that the draft meeting minutes are to be posted to the website within one week of any given meeting. [9/4 board mtg]

#47: Record in the protocols that board work sessions are to be scheduled on Thursdays two weeks after each regular board meeting (these can be used as work sessions, for executive sessions, or can be cancelled if not needed). [9/4 board mtg]

#112: Put on agenda for Dec 4 board mtg to discuss finding a speaker for the Jan 31st membership meeting. [protocols]

#127: Jan 31 membership mtg: Assign action item to find speaker [protocols]

#136: Elections: Discuss electing more positions than just board members [protocols]

#293: Prepare a "handout" for a presentation on the logistics of membership voting: The general consensus is that the board prefers that all membership voting be conducted via a ballot sent out and returned prior to the membership meeting, with results being announced during the membership meeting. The board also favored electronic means, whether that is via email and/or the website. [9/18 work session]

#294: Give a presentation and lead a discussion on the logistics of membership voting: The general consensus is that the board prefers that all membership voting be conducted via a ballot sent out and returned prior to the membership meeting, with results being announced during the membership meeting. The board also favored electronic means, whether that is via email and/or the website. [9/18 work session]

#307: Work with Mara to conduct an audit on the financial records for the past several years. [self-assigned]

#309: Lead the development of a strategic plan for SCRO. [11/1 membership mtg]

#310: Lead the development of a comprehensive plan for the Ranches community (including Fort Garland). [11/1 membership mtg]

#313: Explore if there is a more cost-effective option for SCRO's general liability insurance and officer bonds. [11/6 board mtg]

#319: Establish the history related to the property used by SCRO that purchased electricity from San Isabel to determine if there was any relationship between SdCR's sale office and SCRO's property (might show successorship of legal rights related to water, open space, covenants, etc.) [self-assigned]

#322: Provide to Mara the contact information for Gwen Henzi so Mara can arrange to obtain the Ranches map book from Gwen. [11/20 work session]

Board Member Jo Way (Vice President)

#326: Draft a proposed bylaws amendment for review by the board related to a limit on the number of non-local property owners on the board. [11/20 work session]

#327: Present to the board and lead a discussion on the proposed bylaws amendment related to a limit on the number of non-local property owners on the board. [11/20 work session]

Board Member Mike Powell (Secretary)

#324: Prepare a handout for review by the board concerning a revamped social activity calendar/strategy. [11/20 work session]

#325: Give a presentation to the board and lead the discussion concerning a revamped social activity calendar/strategy. [11/20 work session]

#327: Send the contact information to Mara for the owners of the storage unit facility. [11/20 work session]

Board Member Mara Rodriguez-Walters (Treasurer)

#32: Establish a historical records committee with as many members as needed (as determined by Mara) to address the paper records and other contents of the storage unit, as well as a system for preserving future records; upload the scanned documents to a commercial digital storage location. [9/4 board mtg and 10/16 work session]

#53: Regularly check the post office box and distribute the mail as appropriate [9/4 board mtg and 10/16 work session]

#323: When scanning the historical documents in the storage unit, watch for the legal opinions concerning SCRO's potential successorship from Sangre de Cristo Ranches, Inc. (Forbes' organization) that Gwen Henzi mentioned to Nancy. [11/20 work session]

#335: Prepare a handout for a discussion on the logistics specific to the member welcome packet (final version, audience, method of delivery, cost, etc.) [12/4 board mtg]

#336: Give a presentation and lead a discussion on the logistics specific to the member welcome packet (final version, audience, method of delivery, cost, etc.) [12/4/board mtg]

#339: Move the Wix.com payments from Mike's personal credit card to the SCRO debit card [11/6 email from Mike]

Board Member Steve Navratil

#291: Prepare a "handout" for a presentation regarding a proposed member forum and/or blog feature on SCRO's website. [9/18 work session]

#292: Give a presentation and lead a discussion on implementing a proposed member forum and/or blog feature on SCRO's website. [9/18 work session]

[#338](#): Arrange for the nonprofit consultant to prepare a formal written proposal related to the formation of a 501(c)(3) for the board to review [12/4 board mtg]

Board Member Scott Cessac

None

Board Member Margie Palmer

[#333](#): Prepare a handout for a discussion on the logistics specific to the newsletter (frequency, content, format, audience, etc.) [12/4 board mtg]

[#334](#): Give a presentation and lead a discussion on the logistics specific to the newsletter (frequency, content, format, audience, etc.) [12/4 board mtg]

Former Board Member Tina Squire

[#16](#): Prepare a "handout" for a presentation on the common land within the Ranches currently owned by Costilla County. [8/7 board mtg]

[#19](#): Give a presentation and lead a discussion on the common land within the Ranches currently owned by Costilla County. [8/7/ board mtg]

Proposal and Suggested Contract

To Seek Federal Nonprofit Status for Sangre de Cristo Ranch Owners, Inc. (SCRO)

PROPOSAL

Preparation: The Board of SCRO has studied the SCRO Reorganization Report For IRS 501(c)(3) Status Report by Steve Navratil and clearly understands the consequences of the current status, the options available, and the procedures required to proceed in each case.

Assumption: The Board of SCRO has determined (per vote taken on __ date) to pursue forming a new 501(c)(3) entity, as this allows for administrative and financial continuity by continuing to do business under the current organization while preparing and submitting IRS Form 1023 to establish the new tax exempt entity.

Reorganization: The Board of SCRO (has created) (is creating) the required organizational documents for the new entity and, (as of date) (is) (will be) prepared to proceed to submit Form 1023. The corporate documents listed below will be available as supporting documentation to the application.

Consultant: The SCRO Board voted (on date) to hire Transforma Research and Design as the IRS/nonprofit consultant and grant writer to prepare and submit IRS Form 1023, as outlined in the SCRO Reorganization Report.

Document and Information Checklist: The following corporate documents for the new 501(c)(3) entity, i.e. documents not affiliated with the current SCRO, will be required:

- ☐ Articles of Incorporation (current, filed with Colorado Secretary of State)
- ☐ Bylaws (current version, signed and dated)
- ☐ IRS Employer Identification Number (EIN confirmation letter)

Governance & Board Information

- ☐ List of current board members and officers (names, titles, addresses, emails)
- ☐ Board meeting minutes showing current leadership and mission adoption
- ☐ Conflict of Interest Policy (signed by all board members)
- ☐ Organizational chart (if available)

Financial Information

- ☐ Most recent 3 years of financial statements (if available)
- ☐ Current year budget (projected income and expenses)
- ☐ Bank account information (institution, account type, signatories)
- ☐ Description of dues, fees, or other revenue sources

Program & Activity Information

- ☐ Mission statement (final, board-approved)
- ☐ Narrative description of planned activities (educational, charitable, community programs)
- ☐ Copies of recent materials distributed to the public to demonstrate community benefit
- ☐ List of grants or donations received (if any)

Legal & Compliance

- ☐ Prior IRS correspondence (if any)
- ☐ Copies of contracts or leases relevant to operations
- ☐ Documentation of the new entity's dissolution plan.

Supporting Attachments

- ☐ Resume or background of key staff/volunteers (optional but strengthens application)
- ☐ Letters of community support (optional but recommended)
- ☐ Draft dissolution clause for Articles of Incorporation (required for 501(c)(3) compliance)

Response Requirement

SCRO agrees to provide each requested item within **7 business days** of Consultant's written request. Failure to provide timely responses may result in delays, suspension of services, or Consultant proceeding with best available information at Client's risk.

SUGGESTED CONTRACT

Consulting Agreement for Preparation and Submission of IRS Form 1023

Parties: Consultant: *Transforma Research and Design LLC* (referred to herein as "Consultant"), an independent contractor.

Client: Sangre de Cristo Ranch Owners, Inc. ("SCRO" or "Client").

Effective Date: _____

1. Scope of Services

Services. Consultant will prepare and submit an application for recognition of exemption under Internal Revenue Code section 501(c)(3) (Form 1023) based on the Client's Preliminary Report and supporting materials. The services provided encompass: a thorough review of the Preliminary Report; gathering all necessary documents and pertinent information; conducting up to **three** private (non-public) executive working sessions with the Client's board or officers; drafting required narratives and supporting attachments; completing and electronically submitting Form 1023; and, if required, preparing **one** resubmission package to address any IRS inquiries or requests for clarification resulting from the initial IRS review.

Deliverables. Draft narratives and schedules; completed Form 1023 and attachments; submission confirmation (Pay.gov receipt or IRS acknowledgement); one resubmission package if requested by the IRS.

Excluded Services. Legal advice, attorney review, appeals, responses beyond the single resubmission, state-level filings (except as expressly stated), or ongoing grant writing or program development are not included and will require a separate agreement.

2. Client Responsibilities and Timelines

Information and Cooperation. The Client agrees to furnish all information and documentation requested by the Consultant in an accurate, complete, and timely manner. Documentation may comprise, but is not limited to: articles of incorporation or bylaws, minutes from meetings, financial statements, program descriptions, contact information for board members or officers, and any historical records relevant to Form 1023. Consultant's work depends on Client cooperation.

Response Time. Unless otherwise agreed in writing, Client will respond to Consultant's written requests for information within **7 business days**. If Client fails to respond within that period, Consultant may: (a) pause work and invoice for work completed to date; (b) set a revised schedule; (c) proceed using the best available information and require Client to execute a written **acknowledgment** that Consultant relied on incomplete information; and/or (d) charge additional fees for time spent chasing overdue materials at the hourly rate in Section 5.

Assumptions and Reliance. Consultant may rely on the accuracy and completeness of materials provided by Client and third parties. Consultant is not responsible for errors or omissions caused by Client-supplied information.

3. Fees, Expenses, and Payment Terms

Fixed Fee. Total fee for the Services described in Section 1: **\$5,000**.

Payment Schedule. **\$2,500 (50%) due upon signing** this Agreement; **\$2,500 (50%) due upon submission** of Form 1023 to the IRS (upon delivery of submission confirmation).

Late Payment. Invoices unpaid within **10 business days** of the due date accrue interest at **1.5% per month** (18% APR) and Consultant may suspend services until payment is received. Consultant's right to suspend work for nonpayment does not relieve Client of payment obligations.

Expenses. Client will reimburse reasonable out-of-pocket expenses (e.g., filing fees, postage, travel) incurred in performing the Services. Consultant will provide receipts for reimbursable expenses upon request.

Additional Work. Any work beyond the scope (including additional IRS responses,

appeals, or state filings) will be billed either at a mutually agreed fixed fee or at Consultant's hourly rate of **\$60.00** per hour, plus expenses, after prior written approval by Client.

4. IRS PROCESSING, RESUBMISSION, AND NO GUARANTEE

IRS Timing. Client acknowledges that IRS processing times are outside Consultant's control and may be lengthy. Consultant will notify Client of IRS communications as received.

One Resubmission Included. Consultant's fee includes preparation and submission of **one** resubmission or supplemental response to address issues raised by the IRS following the initial review. Additional responses, appeals, or requests for further information are outside the fee and require a separate agreement.

No Guarantee. Consultant does not guarantee that the IRS will grant tax-exempt status, nor can Consultant guarantee any particular processing timeline or outcome. Client acknowledges that approval is solely at the IRS's discretion.

5. Delay, Suspension, and Termination

Delay Caused by Client. If Client's failure to provide required information causes a delay of more than **30 days**, Consultant may (i) require an additional deposit before resuming work; and/or (ii) set a new timeline. Consultant is not liable for delays caused by Client or by IRS processing.

Suspension for Nonpayment or Noncooperation. Consultant may suspend services for nonpayment or for Client's failure to cooperate after providing **7 business days'** written notice. Suspension does not relieve Client of payment obligations.

Termination. Either party may terminate this Agreement with **14 days'** written notice. Upon termination, Client will pay Consultant for all work performed and expenses incurred through the effective date of termination. Consultant will deliver to Client any completed work product for which Client has paid.

6. Ownership, Confidentiality, Records, and Public Statements

Ownership of Work Product. Upon full payment, Client owns the final Form 1023 application materials prepared specifically for Client. Consultant retains ownership of internal research, templates, methodologies, and general know-how used to prepare the materials.

Confidentiality. The Consultant will keep the Client's nonpublic information private and only share it if needed to prepare Form 1023, if the law requires, or if the Client gives written permission. Consultant may, however, retain and use de-identified, aggregate information for subsequent related grant writing and research purposes.

Public Statements. Neither party will issue public statements about the other's confidential information without prior written consent. Client shall not mention the Consultant nor reveal the Consultant in any public or online forum nor shall Client list the Consultant in any of Client's marketing materials unless Consultant provides Client with written consent to do so.

7. Representations, Warranties, Indemnity, and Insurance

Mutual Representations. Each party represents it has authority to enter this Agreement. Client represents that information provided to Consultant is true, accurate, and complete to the best of Client's knowledge.

Indemnity. Client will indemnify, defend, and hold Consultant harmless from any claims, liabilities, losses, or expenses (including reasonable attorneys' fees) arising from Client's failure to provide accurate or complete information, Client's misuse of the application materials, or any third-party claims related to Client's operations or historical activities.

Limitation of Liability. Consultant's total liability for any claim arising from this Agreement is limited to the total fees paid by Client under this Agreement. In no event will Consultant be liable for indirect, incidental, special, punitive, or consequential damages.

Insurance. Consultant maintains professional liability insurance in amounts customary for consultants performing similar services. Client is encouraged to maintain appropriate insurance for its operations.

8. Dispute Resolution, Governing Law, and Miscellaneous

Dispute Resolution. The parties will attempt in good faith to resolve disputes by negotiation. If unresolved within **30 days**, disputes will be submitted to mediation in Colorado. If mediation fails, disputes will be resolved by binding arbitration under the rules of the American Arbitration Association, held in Colorado. Each party pays its own arbitration costs, and the arbitrator may grant reasonable attorneys' fees to the winner.

Governing Law. This Agreement is governed by the laws of the State of Colorado, without regard to conflict-of-law principles.

Force Majeure. Neither party is liable for delays or failures caused by events beyond its reasonable control (e.g., natural disasters, strikes, government actions, pandemics, or system outages or delays of the IRS system).

Notices. Notices must be in writing and delivered by email with confirmation, certified mail, or overnight courier to the addresses listed below. Notices are effective upon receipt. No portion of this Contract or Agreement shall be posted or included in any social media, or on any platform, podcast, or publication. Violation of this clause will trigger payment of the full \$5000 to Contractor, the cancellation of this Contract, and may include additional penalties.

Entire Agreement; Amendments. This Agreement is the entire agreement between the parties and supersedes prior discussions. Amendments must be in writing and signed by both parties.

Severability. If any provision is held invalid, the remainder of the Agreement remains in effect.

9. Practical Protections Against Delay and Incomplete Information

7-Business-Day Response Requirement. Client agrees to respond to Consultant's written requests within **7 business days**. If Client does not respond within that time, Consultant may proceed using the best available information and Client will indemnify Consultant for any inaccuracies resulting from missing or late information.

Pause-and-Invoice Right. Consultant may pause work and invoice for any additional time

and expenses incurred by Consultant to date if Client fails to provide requested materials within **14 calendar days** of a written request. Work will resume upon payment of any such additional costs.

Proceed-at-Client-Risk Clause. If Consultant proceeds without requested materials after providing written notice of the missing items, Consultant will document the missing items in writing and proceed; Client accepts responsibility for any IRS questions or adverse consequences attributable to the missing information.

10. Fees Summary and Signature Block

Fee: \$5,000 total; \$2,500 due on signing; \$2,500 due on submission.

Expenses: Reimbursable with receipts.

Additional Work for Client: Billed separately by Consultant at agreed rates.

Consultant: Transforma Research and Design LLC

Name: Nicole V. Langley, M.A.

Title: Owner

Date: _____

Client (SCRO): _____

Name: _____

Title: _____

Date: _____

Contact for Notices:

Consultant Email: nicole@nvlangle.net

Client: Sangre de Cristo Ranch Owners, Inc. / Email: CommunitySCRO@gmail.com

Note: This SCRO Contract for Services does not provide nor offer legal advice. SCRO is advised to have this Agreement reviewed by an attorney licensed in Colorado before signing.



SCRO Reorganization Report For IRS 501(c)(3) Status

Steve Navratil
November 17, 2025

This is a preliminary release of a Report to the Sangre de Cristo Ranch Owners, Inc. organization board of directors on reorganizing to meet IRS recognition of tax-exempt status under section 501(c)(3). It is not to be considered legal advise in any way and it is not intended or provided as such. The purpose of this Report is to suggest, in brief general terms, potential options for achieving the goal of becoming a true charitable organization that can achieve more for the community on many fronts.

To Be an HOA or Not To Be an HOA, That is the Question

Amended Articles of Incorporation filed with the State as an advocate for the subdivision landowners, SCRO is assumed recognized as a non-profit under IRS 501(c)(4) regulations. SCRO has a history of declaring it was an HOA as evidenced by the heading of its minutes of May 6, 2022, "May HOA minutes- 5/6/22 " and in previous minutes before that. However, in its next "2022-06-02 Membership Meeting Minutes" the record states "We aren't a real HOA- as individuals we can make complaints but not as an HOA. We don't have authority. We can do community events and help each other(.) We are not covenant controlled- the county won't honor or enforce them- keeping them is dishonest"

We aren't a real HOA? This is what the IRS says an HOA is:

"A membership organization formed by a real estate developer to own and maintain common green areas, streets, and sidewalks and to enforce covenants to preserve the appearance of the development may be exempt as a social welfare organization if it is operated for the benefit of all the residents of the community.

In our case the “real estate developer” for the Ranches, Malcolm Forbes, did not form the HOA. It was created by some residents as a voluntary organization. Much like a club it never had any regulatory teeth. The IRS’ definition about “owning and maintaining green areas, streets, and sidewalks, never applied, because Costilla County owns and maintains all the streets along with their rights of way. With voluntary participation the organization was never able to “operate for the benefit of all the residents of the community.” Nonetheless, due to public perceptions and dues-paying membership, the legal entity has always operated under Section 501(c)(4) of the IRS Code.

So, do we represent the community? The term **community** generally refers to a geographical unit recognizable as a governmental subdivision, unit, or district thereof. There is no precise definition of a **community**. Rather, whether an area is a **community** depends on the facts and circumstances of the particular situation. Even if an area represented by an association is not a community, the association can still qualify for the limited exemptions of Section 501(c)(4) if its activities benefit a community. The IRS instructions state that “The association should include with its [501(c)(4)] exemption application evidence that areas such as roadways and park land that it owns and maintains are open to the general public and not just its own members. It also must show that it does not engage in exterior maintenance of private homes.”

<https://www.irs.gov/charities-non-profits/other-non-profits/homeowners-associations>

Since SCRO has declared that it’s not an HOA, what kind of nonprofit is it? The the IRS defines other 501(c)(4) organizations falling under these definitions:

Internal Revenue Code section 501(c)(4) provides for the exemption of two very different types of organizations with their own distinct qualification requirements. They are:

Social welfare organizations: Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, and

Local associations of employees, the membership of which is limited to the employees of a designated person(s) in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational or recreational purposes.

Homeowners associations and volunteer fire companies may be recognized as exempt as social welfare organizations if they meet the requirements for exemption. Organizations that engage in substantial lobbying activities sometimes also are classified as social welfare organizations.

<https://www.irs.gov/charities-non-profits/other-non-profits/types-of-organizations-exempt-under-section-501c4>

The closest fit for the limited exemptions of this category seems to indicate that SCRO falls under the Social Welfare Organization, based on these IRS examples:

<https://www.irs.gov/charities-non-profits/other-non-profits/social-welfare-organizations-examples>

Some nonprofit organizations that qualify as social welfare organizations include:

1. An organization operating an airport that serves the general public in an area with no other airport and that is on land owned by a local government, which supervises the airport's operation,
2. A community association that works to improve public services, housing and residential parking; publishes a free community newspaper; sponsors a community sports league, holiday programs and meetings; and contracts with a private security service to patrol the community,
3. A community association devoted to preserving the community's traditions, architecture and appearance by representing it before the local legislature and administrative agencies in zoning, traffic and parking matters,
4. An organization that tries to encourage industrial development and relieve unemployment in an area by making loans to businesses so they will relocate to the area and
5. An organization that holds an annual festival of regional customs and traditions.

Given the mission statement on the main <https://www.scrocommunity.org/> page is:

“Our purpose is to foster a sense of community among neighbors, and a sense of predictability and stability within the community, on behalf of all landowners within the Sangre de Cristo Ranches subdivision. This is accomplished through timely communication, effective advocacy, inclusive community events, and cooperative endeavors.”

Item 2 in the list above fits very well, including the fact that at one point the Piñon newsletter was published by SCRO.

Memberships

Research specific to 501(c)(4) memberships provided this result:

A 501(c)(4) organization is a type of nonprofit that focuses on promoting social welfare and can have members, typically limited to a specific group, such as employees of a particular employer or residents of a community.

Membership in these organizations often involves participation in activities that further their social welfare goals, **but contributions to them are not tax-deductible**. We simply do not have the privileges or the advantages of tax exemption or the ability to raise funds as a charitable organization.

Overview of 501(c)(4) Membership

501(c)(4) organizations are classified as social welfare organizations under the Internal Revenue Code. They can have various types of membership, primarily focusing on promoting social welfare and community benefits.

Types of Membership

Type of Membership	Description
General Public Membership	Open to anyone interested in the organization's mission.
Local Employee Associations	Limited to employees of a specific employer or organization in a locality.
Civic Leagues	Membership may include individuals from the community working towards social improvement.

Membership Benefits

- **Tax-Exempt Status:** Members can participate in an organization that does not incur federal income tax. But this should not be confused with tax exempt donations or the tax free opportunities of a 501(c)(3).
- **Advocacy and Lobbying:** Members can engage in advocacy efforts, including lobbying for social issues.
- **Community Engagement:** Members often have opportunities to participate in community service and improvement projects.

Membership Responsibilities

- **Compliance with IRS Regulations:** Organizations must ensure that political activities do not dominate their operations.
- **Reporting Requirements:** Members may need to be informed about the organization's lobbying expenditures and activities.

501(c)(4) organizations can be effective platforms for individuals to engage in social welfare activities while also having the ability to participate in political advocacy, provided that such activities do not become their primary focus.

The unanswered question is what, as a self declared non-HOA entity, do the dues paying members actually receive for their membership? The SCRO web site states "Membership does give you a voice in how SCRO operates and how it influences the community." but without a main revenue source other than dwindling membership dues how can SCRO actually fulfill promises it openly makes to the community in public? i.e. [Community-Focused Priorities](#)

In summary, this is the 501(c)(4) reality SCRO is tied to now:

Overview of 501(c)(4) Nonprofits

501(c)(4) organizations are classified as social welfare organizations under the Internal Revenue Code. Unlike 501(c)(3) organizations, donations to 501(c)(4) groups are not tax-deductible, and they can engage in unlimited lobbying and some political activities.

Key Characteristics

Feature	501(c)(4) Organizations
Purpose	Promote social welfare and civic betterment
Tax Status	Exempt from federal income tax
Donations	Not tax-deductible for donors! Not tax-free to SCRO!
Political Activity	Can engage in political lobbying and campaigns, but must not be their primary activity
Disclosure Requirements	Must file IRS Form 990, but donor identities are generally not disclosed

Most all grant and non-profit funding programs are simply not available to 501(c)(4) entities.

Why Reorganize to a 501(c)(3)?

The main differences between a 501(c)(3) and a 501(c)(4) organization are their purposes and tax implications. A 501(c)(3) is a charitable organization that can receive tax-deductible donations but is limited in political activities, while a 501(c)(4) is typically a social welfare organization that can engage in lobbying and political activities, but donations & membership dues are not tax-deductible. These are not the only differences, as the privilege of charitable tax exemption creates and imposes some cautions and obligations about what can be done, how advertising and promotions must be conducted, how funds can be expended, and some strict regulations to prevent conflicts of interest. The IRS can deny or revoke an organization's nonprofit status if any of these guidelines are not observed.

Key Differences

Purpose

Attribute	501(c)(3) Organization	501(c)(4) Organization
Primary Purpose	Charitable, religious, educational, scientific	Social welfare and advocacy
Examples	Charities, educational institutions	Civic leagues, advocacy groups

Tax Deductibility

Attribute	501(c)(3) Organization	501(c)(4) Organization
Donations Tax Deductible	Yes	No

Political Activity

Attribute	501(c)(3) Organization	501(c)(4) Organization
Political Endorsements	Not allowed	Allowed, but not the primary purpose
Lobbying	Limited	Unlimited

Funding Sources

Attribute	501(c)(3) Organization	501(c)(4) Organization
Public Support Requirement	Must meet public support test	No public support requirement
Funding Flexibility	Typically funded by many small donations	Can be funded by a single donor

Choosing to reorganize to a 501(c)(3) mostly benefits SCRO in its ability to raise funds through tax deductible donations & memberships, government and private grants. Since circumstances

do not favor maintaining the previously adopted status as an HOA, and with a county designation as an economically underserved population, it becomes increasingly important to come together again as a community to see how to best solve some of our problems and create a healthy, enjoyable, and sustainable community. So what kind of 501(c)(3) should we become?

While there is a wide definition of qualifying missions, a 501(c)(3) is confined to the following overall purposes:

- Charitable
- Religious
- Educational
- Scientific
- Literary
- Public safety testing
- Fostering amateur sports competitions
- Preventing cruelty to animals or children

Obviously the best mission for SCRO would be educational as many programs and projects can be classified as that in nature. These can include:

General Educational Activities

- **Public Education:** Programs that inform the community about various topics, such as health, environment, or history.
- **Workshops and Training:** Sessions aimed at skill development in areas like technology, arts, or vocational training.
- **Curriculum Development:** Creating educational materials or programs for schools or community organizations.

Specific Educational Projects

- **After-School Programs:** Initiatives that provide tutoring and enrichment activities for students outside regular school hours.
- **Scholarship Programs:** Financial assistance for students to pursue higher education or vocational training.
- **Educational Camps:** Summer or holiday camps focused on specific subjects like science, arts, or sports.

Community Engagement

- **Mentorship Programs:** Pairing students with mentors in various fields to provide guidance and support.

- **Community Workshops:** Offering classes or seminars to teach skills or knowledge to local residents.
- **Cultural Programs:** Projects that promote cultural awareness and education through events, performances, or exhibitions.

Additional Considerations that can be included:

- **Community Support:** Initiatives that address community needs, such as disaster relief or neighborhood improvement projects.
- **Environmental Conservation:** Efforts focused on preserving the environment, such as clean-up drives, conservation education and fire mitigation education.

All these activities must be organized and operated exclusively for these exempt purposes, ensuring that no part of the organization's earnings benefit private individuals or shareholders.

Special Relationships Clause in Nonprofit Applications

Reorganizing the existing SCRO corporation from a 501(c)(4) to a 501(c)(3) might seem like a simple thing, but it is not.

The "special relationships" clause in the IRS nonprofit application addresses potential conflicts of interest and governance issues that may arise when a nonprofit organization has close ties to individuals or to other entities. Here are the key cautions it anticipates:

Potential Conflicts of Interest

- **Board Composition:** The clause emphasizes the importance of having an independent board. If board members have personal or financial relationships with the organization, it could lead to biased decision-making.
- **Financial Transactions:** Any financial dealings between the nonprofit and its board members or related parties must be transparent and justifiable to avoid self-dealing.

Governance and Oversight

- **Transparency Requirements:** Nonprofits must disclose any special relationships in their applications. This includes relationships with individuals who have significant influence over the organization or with other organizations (SDCR, etc.) with whom it has any conflicts of interest or previous history.
- **Accountability Measures:** The IRS expects nonprofits to have policies in place to manage conflicts of interest, ensuring that decisions are made in the best interest of the

organization rather than personal gain. A properly done application uses specific IRS language to ensure that accountability measures are recognized and in place.

Compliance and Reporting

- **Ongoing Monitoring:** Organizations are advised to regularly review their relationships and transactions to ensure compliance with IRS regulations and maintain public trust.
- **Documentation:** Proper documentation of all relationships and transactions is crucial for accountability and to demonstrate adherence to IRS guidelines. This requirement is frequently ignored or violated by nonprofits when they put out a flier, advertise an event or publish a story. Every public-facing outreach must acknowledge the special tax status of the organization, and every grantor must receive the IRS' Letter of Determination to prove its preferred status.

These cautions help maintain the integrity of nonprofit organizations and ensure they operate in a manner consistent with their charitable missions.

Options to becoming or obtaining a 501(c)(3)

Two primary options SCRO can consider to get IRS approval as a 501(c)(3) entity:

1. Creating a completely new, clean organization with NO history that is a 501(c)(3).
2. Reorganizing the existing SCRO corporation from a 501(c)(4) to a 501(c)(3).

Due to the complex and sometimes troubled history of this organization over many decades, this Report suggests the best likely choice is option one as follows:

- Continue operating as a 501(c)(4) while clearly communicating the community support intentions expressed in SCRO's mission statement. The existing SCRO stays the same as it always has until the appropriate time to dissolve it.
- Minimize costs and dedicate expenses to resolving the legal and reorganizational issues of the organization.
- Create the charitable nonprofit as a separate and new organization, starting from scratch. In order to establish some distance from the "special relationship", this Report suggests choosing a distinctly different name that captures the spirit but which can't be mistaken for SCRO.
- Submit the application, and once the new 501(c)(3) is approved and operational, the assets of the existing SCRO can be transferred to the new non-profit. This meets IRS requirements for dissolution, with the original 501(c)(4) properly dissolved.

- It's very important that no conflicts of interest are apparent or implied, so the language of the application must contain the appropriate IRS-acceptable language.
- Have a trusted, affordable attorney review before submission.

The second option to reorganize the existing SCRO, with all of it's historical baggage, into a 501(c)(3) requires a restatement of the Articles of Incorporation with the State that must comply with 501(c)(3) requirements and a submittal of IRS form 1023 requesting determination. However, there may be complications to this process if SCRO's previous activities have not been consistent with the desired 501(c)(3) status. The "special relationship" provisions would be very hard to justify. This Report does not endorse this option.

Estimated cost and timeline

Discussions have happened with a qualified non-profit professional who has indicated a new 501(c)(3) focused Colorado Corporation can be created for a fixed price of \$5,000.00.

Attorneys fees for review of the documentation would be additional but estimated at below \$500.00.

While no IRS approval can be guaranteed, there is a high probability of success. If the initial application is rejected, a follow up application would be filed correcting any IRS concerns.

The overall estimated timeline to completion is 60 to 90 days, after approval to proceed has been given by a vote of the SCRO board.

Attachment A	Consultant Grant History
Attachment B	IRS Form 1023 Instructions
Attachment C	IRS Form 1023 Example

Note: IRS form 1023 is electronically filled out and submitted through the Pay.gov web site. The IRS Form 1023 Example is based on a previous version and may not reflect the current version. It is only provided as an example but the instructions are current.

END OF DOCUMENT