

## **USA Council of Serra International Response to Serra International's Allegations**

Article IX of the Serra International Bylaws provides: "The board of trustees of SERRA INTERNATIONAL may withdraw its approval of any Serra Council if it determines that the Serra Council is not conducting its activities in accordance with that Serra Council's duly adopted constitution and bylaws or in accordance with the Constitution and Bylaws of SERRA INTERNATIONAL." (As amended by delegates at 2009 SI Convention.)

The allegations made in the SI Board's resolution of December 12, 2010, which collectively are presented as the basis for the SI Board's action, do not meet the above requirements of Article IX of SI's Bylaws. The allegations fail to demonstrate that the U.S. Council is not conducting its activities in accordance with its own or Serra International's Constitution and Bylaws.

The allegations made in the SI resolution to support the abrupt termination of the U.S. Council and seizure of its assets are extremely vague and general in nature.

1. Duplicating services already provided by Serra International.

**Response:**

SI provides no specifics to support this allegation.

SI has never defined what unique program services they provided to the clubs in the United States prior to the formation of the Council or which of these services have been duplicated.

In terms of administrative services, it was not the USA Council that duplicated services but SI. The USA Council had shared offices with SI and had common office space, copy and fax machines, postage machines, computer data base information systems and telephone system from the time the Council was formed on March 3, 1994, until SI decided to move to separate offices in August of 1999.

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2. Duplicating administration, accounting and information systems.

**Response:**

SI provides no specifics to support this allegation.

The USA Council provided accounting systems from the time the Council was formed until SI hired its accountant, duplicating the administrative services being provided by the USA Council. As stated earlier, the USA Council maintained the data base

information system for the USA Council, SI and the SI Foundation until SI developed its own duplicate information system.

3. Holding events on dates which conflict with the dates of SI's events.

**Response:**

SI provides no specifics to support this allegation.

In 2004, the SI Board adopted a non-compete SI Policy "...that no Serra region or district shall schedule a convention in the same region or district as the international convention for that calendar year." There have been five SI Conventions in the United States since 2004 and no district or region has violated this policy.

4. Creating confusion among Serra Clubs and their members about the role of USAC within the Serra organization.

**Response:**

SI provides no specifics to support this extremely subjective allegation.

5. Incurring unnecessary costs and expenses.

**Response:**

SI provides no specifics to support this allegation.

6. Promoting itself above the objectives and purposes of SI.

**Response:**

SI provides no specifics to support this allegation.

7. Failing and refusing to provide monthly financial statements as directed.

**Response:**

There is no provision in the SI approved Council Constitution and Bylaws or in SI's Constitution and Bylaws or policy manual requiring such statements from councils. However, the USAC's audited financials are available on our website. SI has had full access to this financial information.

8. Failing and refusing to give SI's auditors access to it financial records.

**Response:**

SI's resolution provides no specifics to support this allegation.

Neither the SI or Council Constitution and Bylaws have provisions allowing either organization to "audit" the other's financial records.

The Council's Bylaws (Article IX) require that the accounts of USAC shall be audited annually by a certified public accountant selected by the USAC Board. The USA Council's annual Audited Financial Statements are posted on the Council's website and are available for public review.

9. Repeatedly incurring an operating deficit and impressibly using restricted funds to pay its deficits.

**Response:**

SI's provides no specifics to support this allegation.

This allegation implies that the Council is doing something inappropriate by making use of funds the USAC Board has restricted. The Generally Accepted Accounting Principles (GAAP) for not-for-profit organizations allows non-profit boards to transfer funds from its Board Restricted Fund to its General Fund, a perfectly legitimate action under GAAP.

10. USAC violated its own constitution and bylaws by promulgating an amended version of its constitution and bylaws that was not approved by SI.

**Response:**

SI's provides no specifics to support this allegation. However, we believe it refers to the following situation.

SI promulgated a revised version of their Constitution and Bylaws on June 25, 2005. Article X of the USA Council's Bylaws dictate that the Council's Constitution and Bylaws had to be changed in order to be consistent with the Constitution and Bylaws of SI. Accordingly, the Constitution and Bylaws Committee of the USA Council revised the Council's Constitution and Bylaws to bring them in conformance with the SI changes and made some other non-substantive changes to some of the USA Council Committees. This revision was completed by the Bylaws Committee on October 7, 2005. It was subsequently inadvertently posted to our website without review and approval by the USAC Board, or subsequent approval by the USA Serra Clubs and Serra International. When the Council was made aware of this error, the revised Constitution and Bylaws were pulled from our website. In accordance with the Council Bylaws, the approval of the USAC Board and clubs in the United States was obtained on proposed amendments to our Constitution and Bylaws. These were sent to Serra International for approval.

11. USAC conservatively incurs approximately \$200,000 in unnecessary expenses which can be applied to programs which promote the Priesthood.

**Response:**

SI provides no specifics to support this allegation.