

MEMORANDUM

To: Bill Dalton
From: Ariella Nasuti
Re: International Literature Scholarship Fund
Date: May 15, 2024

I. Introduction and Scope of Analysis

Adult Children of Alcoholics World Service Organization, Inc. (“**ACA WSO**”) is a California nonprofit public benefit corporation that is tax-exempt as described by section 501(c)(3) of the Internal Revenue Code (“**Code**”). In 2021, ACA WSO approved establishment of a restricted fund, the International Literature Scholarship Fund (“**Fund**”), to ensure non-U.S. fellowships had equitable access to Adult Children of Alcoholics (“**ACA**”) literature. We have been asked to advise ACA WSO regarding whether it might permissibly (i) use Fund assets to translate or print ACA literature; and (ii) change the Fund name pursuant to U.S. nonprofit law and regulations (collectively, “**Nonprofit Law**”). This analysis is informed by information and materials provided to us and does not address matters of law beyond the Nonprofit Law.

II. Analysis

California law imposes a duty on charities to use all charitable contributions for the purposes for which they are solicited or as designated by donors.¹ The Fund was established by ACA WSO to provide individuals outside the U.S. with equitable, affordable access to ACA literature. Subsequent communications with donors that referenced the Fund were consistent on this point, underscoring that the Fund’s purpose was to ensure both the affordability and availability of ACA literature overseas.

Translating or Printing ACA Literature with Fund Assets

In order to remove barriers to access for international fellowships, it is permissible for ACA WSO to undertake the translation of ACA literature to both safeguard the organization’s intellectual property rights and ensure that the ACA literature being offered overseas is the same as that available to U.S. fellowships. Given the Fund’s purpose, it is permissible to expend Fund assets to ensure ACA literature translations are accurate and consistent as only then can access thereto be deemed equitable for fellowships around the world.

¹ Cal. Bus. & Prof. Code. § 17510.8.

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With respect to expending Fund assets to print ACA literature, so long as such printing will further the Fund's purpose of ensuring equitable access by international fellowships, and assuming the printing expenses are deemed reasonable by ACA WSO, Fund assets may permissibly be used for such printing.

Renaming the Fund

The IRS defines scholarship as "an amount paid or allowed to a student at a [qualified] educational institution for the purpose of study." Given that the support provided through the Fund is not equivalent to a "scholarship," renaming the Fund to eliminate a reference to scholarship would be a permissible, clarifying change for the Board of Trustees to make. Further, renaming the Fund to the International Literature Fund, International Literature Equity Fund, or the International 5th Tradition Assistance Fund would also be permissible given the Fund's restricted purpose of supporting equitable access to ACA literature for overseas fellowships.

Provided the Board of Trustees utilizes the Fund consistent with its restricted purpose, it does not need to seek ABC approval to expend Fund assets. That said, providing the membership with reports at the ABC that highlight the impact of the Fund will ensure that the membership is kept apprised of how the Fund's assets are being utilized to deliver on ACA WSO's vital mission.