**IABC Chapter Plan**

**About this document:** The purpose of this document is to provide a plan and approach to address chapters not meeting *good standing* criteria or are dormant, while also mitigating risks associated with the revocation of tax-exempt status for most US chapters. The first part of this document provides an executive summary of the opportunities around moving to a centralized financial model. The second part of the document discusses the timeline on the conditions of tax exempt revocation and future options.

**Overview**

Over the 2020 – 2022 fiscal years, IABC experienced a period of accelerated change due to the pandemic and economic conditions. A number of US chapters in particular struggled to fully function during the pandemic – and some chapters’ struggles pre-dated the pandemic. The International Executive Board (IEB) has decided to confront waning membership and engagement in those chapters that are not meeting the criteria necessary to be considered “in good standing.” Three discrete categories for US chapters based on the criteria within the vitality report were identified: *dormant*, *struggling or not meeting all chapter vitality requirements*, and *in good standing.* Below you will see a series of actions outlined to support those in the struggling and in good standing categories.

The need for these immediate actions should not pre-empt the work of the Organizational Design Taskforce but help complement future actions taken at their recommendation(s).

**Overall Opportunities & Benefits**

All chapters that are not considered dormant have the option to centrally manage financials through the international organization. With financial and administrative functions centrally managed through International, chapters can take advantage of the following benefits and opportunities:

* Unburden volunteer leaders from most of the financial administrative workload to further activities that advance IABC’s mission, build relationships, and focus on programmatic activities at the region and chapter levels.
* Increase purchasing power through economies of scale in providing enterprise access to Zoom, web hosting, and digital/email marketing platform.
* Reduction in administrative costs for chapters and regions.
* Gain access, as chapters and regions, to International’s accounts payable system (Concur) to submit payment requests and reimbursements. The use of Concur will be free to all chapters that utilize a centralized model.
* Experience streamlined financial reporting and forecasting. Each chapter and region will receive a monthly statement of activities and will be part of the forecasting process.
* Chapters and regions will be part of the annual audit process.
* Remove obligations for 990 gap filings.
* Provide the ability to collectively be in compliance with state and local requirements.

With a reduction in administrative burdens, it provides a way to offer members more modernized volunteer opportunities (EX micro-volunteering).

**Approach**

*Struggling Chapters/Not Meeting Vitality Criteria*

*What is a struggling chapter?*

IABC defined these chapters as meeting *some* of the vitality requirements listed above in the *dormant* chapter description. These are chapters that can potentially move to the *good standing* category but a coordinated intervention is needed by the International organization in partnership with the Region leadership.

*Action*

A first step in taking action based on the motion passed by the IEB (9/22/22), regarding chapters identified as *struggling,* is to speak with the treasurers and leadership of these chapters. These chapters will move their financial operations to International in order to remove administrative burdens so the chapters can focus on programmatic activities as they revitalize. An additional benefit is that these chapters will no longer be at risk of non-compliance with the IRS since the chapter EIN will no longer be in use.

The next step will be to close chapter bank accounts and transfer funds to International’s CIBC bank account. The funds will then be separately designated by the board for chapters and regions. Reporting on the account will be available on a monthly basis and the chapter will incur no bank fees – which will provide savings for the chapter. Rebate amounts will be reflected in each quarterly statement. See the opportunities and benefits section above for more details.

*Financial Management Annual Cadence: Budget & Forecast*

It will be requested that all chapters within this category submit a budget to reflect anticipated activities from January 2023 through December 2023. Chapters will be given a budget template to complete that matches International’s and will be approved by the IEB and region treasurer. This is the same process that IABC International goes through each year. Chapters will use a zero-based budgeting approach, and revenue will be calculated on the prior year dues. Six months into the year, the chapter treasurer will draft a [6+6 forecast](https://www.freshbusinessthinking.com/finance/the-difference-between-a-forecast-and-a-budget/9573.article#:~:text=A%20'6%2B6'%20shows,a%20painful%2C%20but%20necessary%20task.) via a template provided by International. This will allow the chapter to adjust anticipated activities halfway through the year. The benefit is that chapters and IABC International will have aligned expectations on how the financial year will end and support one another. IABC International executes a 3+9, 6+6, and a 9+3 forecast annually; however, chapters will only complete a 6+6 forecast. With chapter and internationals processes aligned, IABC will be better equipped to support chapters.

In 2024, IABC will be move the organization’s fiscal year to be from January – December to be July – June to harmonize the fiscal and programmatic year. IABC will share updates in the coming months as to what to expect for budgeting and forecasting process in 2024

*Financial Management Monthly Reimbursement & Expenditures*

All chapters will be given access to International’s accounts payable system (Concur) to submit payment requests and reimbursements. The region treasurers can be set up within the system to approve expenditures and reimbursements. Guidelines will be drafted to provide instruction on submission and information/supporting documentation needed. The use of Concur will be free to all chapters that utilize a centralized model. As evidenced by rebate payments and other pass-through payments, Concur can be an effective and efficient platform to reimburse or make wire payments in multiple currencies. IABC staff also use this system to pay IABC HQ expenses and this system is maintained on a daily basis. This ensures a timely response to any expenses submitted to the system. In many cases, wire payments can be reconciled in 1-3 business days.

This approach is recommended over the use of debit cards and/or credit cards and is the preferred approach for all Smithbucklin clients at the direction of the accounting team. There is significant risk when providing debit cards or credit cards, which is why a select few chapter or region treasurers will be provided pre-paid debit card.

The benefit for chapters moving to this model is that it removes the monthly and daily financial administrative burden and places it to two key points in the year: budgeting and forecasting.

**Chapters Identified within category:**

* Florida
* Charlotte
* Caribbean
* Pittsburgh
* St. Louis
* Lynchburg
* Columbus
* Los Angeles
* Barbados
* Seattle
* Austin

*US Chapters in Good Standing*

*What is a chapter in Good Standing?*

These chapters have successfully met all of the criteria outlined in the vitality report.

*Actions*

There is no immediate need for these chapters to move to a centralized financial model. Many of these chapters will still need to do IRS gap filings for 2015 through 2021. The additional fee will likely be $6000 to complete the filings and reinstate the chapter as a tax-exempt entity. They do have the option to move to a centralized model if they prefer to forgo prior filings or take advantage of the benefits offered through a centrally managed model.

**Chapters within category:**

* Kansas City
* Atlanta
* South Carolina
* Phoenix
* DC Metro
* San Diego
* Dallas
* Detroit
* Great Plains
* Topeka
* Orange County
* Chicago
* Greater Cincinnati
* Central Oklahoma
* Nashville
* Philadelphia
* New York
* Minnesota
* Colorado
* Houston
* San Francisco
* Tulsa

**IRS Tax Issue**

Below is a timeline of events from 2018 to now. Best efforts have been made by the current staff team to resolve an issue that dates back to 2015. In addition to the timeline, we have provided a couple of different options for chapters on how best to navigate to a resolution. The IEB’s goal is for each chapter to have a path forward towards compliance by the beginning of 2023.

**Timeline of events**

* *July 2018*: IABC discovered that it had not correctly filed the IABC group return from 2015-2017.
* *October 2018*: IABC Finance Director submitted corrected tax returns to the IRS – although this likely prolonged the issue since chapters should have begun submitting a 990 postcard and efforts should have been made to submit gap filings for 2015-2017. When chapters fell out of the IABC group return they needed to begin filing their own 990s.
* *October 2018*: A [communication was sent to US VPs of Finance](https://docs.google.com/document/d/1y787Z9rrXyBFR1uT88jNO4aBdH1rsMLrAivVGuOWp1M/edit?usp=sharing) (directly from the Finance Director’smailbox) notifying chapters of this issue. Chapters were advised that they did not need to take any further action.
* *February 2019*: A [notification was sent to US chapters with similar messaging](https://conta.cc/3EviGzz).
* *October 2020*: IABC Houston and IABC Boston worked with IABC HQ to begin the steps toward getting their EIN (tax ID) status back in good standing.
* *December 2021*: Without knowing the full extent of the issue, current IABC staff determined that this issue would remain unresolved until all chapters that had their EIN status revoked, took steps to get their tax ID reinstated.
* *March – August 2022*: Staff worked with the IABC’s auditor and attorney to complete short form 990 filings for the last three years. This however is not going to be accepted by the IRS to reinstate the tax-exempt status for US chapters and they are requiring that filings going back to 2015 will be needed.
* *September & October 2022*: At the direction of the International Executive Board, staff has put together a couple of options for chapters to address the issue of losing tax-exempt status.

**What are the Options for my Chapter to be in Compliance with the IRS?**

1. Most US chapters now have the choice to work with a tax professional or alternatively complete the filings themselves for submission to the IRS. It may take up to a year to reinstate tax-exempt status after submitting the gap filings for the past 7 years. The staff recommendation is for the Chapter to use a tax professional in order to complete and file the 990 long forms and corresponding forms for reinstatement. This could cost up to $6000 to $8000 to complete and file all necessary forms.
2. The other option is to take advantage of the centralized financial management model outlined at the start of this document. This removes the obligation to file retroactively with the IRS since all chapters will be under the International EIN -- and legally speaking no longer a standalone entity.