

Central States Communication Association
Ad Hoc Committee Report and Recommendations on
Filing Income Tax Returns and Business License Renewals

April 2020

In November 2019, CSCA President Chad McBride asked us -- Drs. Deanna Sellnow, Christina Beck, and Donald Ritzenhein -- to serve as a Presidential Ad Hoc Advisory Committee in order to provide an independent review of the failure of CSCA to file income tax returns and renewals of business licenses between 2015 and 2018, and to make recommendations for how to prevent similar lapses in the future. Over the past several months we have worked closely with President McBride, Executive Director Chad Edwards, and Finance Chair Jeff Child to gather information about what happened, and to gain insights into what recommendations we might make that would help assure the financial accountability of our association in the future. We also had conversations with, and received written communication from, Jimmie Manning, who was the Executive Director, 2013-2018. What follows is our report and recommendations, along with a response from Jimmie Manning which we invited him to submit and he requested be included.

What Happened

The facts of what happened are clear and generally undisputed:

Jimmie Manning was appointed Executive Director at the April 3, 2013 meeting of the Executive Committee:

Jimmie was selected to [sic] as the next ED and would spend the next year shadowing Nancy [Brule]. (CSCA Approved minutes for April 3, 2013, New Business, Section V, Para E)

The shadow year was cut short by three months by motion of the Executive Committee on April 2, 2014:

Change of Executive Director (Chad Edwards): Based on a pre-existing agreement between Jimmie and Nancy [Brule] about the transition of executive director, he was asking for a special motion to suspend the rules to allow Jimmie to take office and start acting in most aspects of executive director early. It was explained that Nancy would finish out all of the current convention responsibilities and handle finances until the financial audit. This would have to be done by July 1. David McMahan moved, Lance seconded, motion carried 10-0-0. Everyone gave a big round of applause for Nancy and thanked her for the years of work she has done. (CSCA approved minutes, April 2, 2014)

The duties of each officer of the Executive Board were described in what was then called *Central States Communication Association Policies and Procedures Manual* (most current then was the 2012 update). Duties of the Executive Director were mentioned in three places:

First, in the section of the Manual labeled By-Laws, page 12:

The Executive Director shall keep minutes of all Executive Committee meetings, receive and disburse funds, prepare accounts for annual internal audit, have charge of CSCA's business, appoint the Newsletter Editor, and, if desired, a Convention Exhibits Manager, and serve as a member of the Legislative Council of NCA. CSCA accounts shall be audited by an external auditor at the end of every executive director's term. The Executive Director shall propose to the Finance Committee Chair an annual budget for consideration and evaluation, shall distribute a quarterly report of itemized income and expenditures to all members of the Executive Committee, shall annually audit division and caucus membership, and confirm membership of standing committee members and those nominated for office.

The Executive Director will spend one year in apprenticeship and the last year of the term mentoring the incoming Executive Director. The Executive Director will attend Executive Committee meetings all five years of the term and have voting privileges the last four years of the term.

Second, in the section of the Manual labeled Officers and Duties, page 17:

The duties of the Executive Director specified in Article VI, Section 5 of the By-laws include (1) keep minutes of all Executive Committee meetings, (2) receive and disburse funds, (3) prepare accounts for the annual internal audit, (4) have charge of CSCA's day-to-day business, (5) create and propose an initial annual budget for consultation with the Finance Committee chair, (6) appoint the Newsletter Editor, and, if desired, a Convention Exhibits Manager, (7) serve as a member of the Legislative Assembly of NCA, (8) serve as a member of the NCA nominating committee, and (9) serve on the Finance Committee.

Additional duties and a timeline of these duties can be found in Appendix E.

Third, in the section of the Manual headed "Appendix E: Additional Duties and Timeline, Executive Director" (page 44):

Handling the Association's finances. For day-to-day operations, the Executive Director maintains a checking account from which the bills are paid. The Executive Director hires and maintains a relationship with an accountant, *files a yearly tax return*, maintains tax records for the past seven years, renews D & O insurance, *renews the state business license*, and prepares a budget, which is part of the annual report. *Emphasis added.*

Sometime in the spring semester of 2018 Jimmie informed incoming Executive Director Chad Edwards that he, Jimmie, had not filed the Association's fiscal year 2015 through FY 2017 IRS 990 tax forms during his tenure as Executive Director. Jimmie also told Chad he had not renewed the Association's business license, which at the time was filed with the State of West Virginia. Jimmie told Chad he had retained the services of an accounting firm in Chicago, PorteBrown, to work on preparing the delinquent tax returns.

Chad Edwards, President Chad McBride, and Finance Chair Jeff Child, took immediate and continuing steps to recover the Association's Federal tax exempt status and state business

license. It took a year and a half for PorteBrown to complete its work and submit the delinquent tax forms for signature and submission. From our examination of email exchanges some of the delay appears to be due to PorteBrown not replying to inquiries in a timely manner, and some to financial records that had to be created from bank accounts, and incomplete spreadsheet calculations of income and expenses. PorteBrown submitted the complete Federal forms to Chad Edwards for his review and Jimmie Manning's signature. Those forms, which also included the 2018-19 fiscal year, were filed with the IRS in January 2020.

In addition to efforts to reinstate the Association's 501(c)6 status with the IRS, Chad Edwards retained the services of a compliance company to recover the Association's corporate status with West Virginia and, for redundancy, to extend the Association's recognition into Ohio and perhaps another state. As of Jan 3, 2020, we are now officially recognized again in West Virginia and an application has been filed in Ohio.

Finally, Chad Edwards, in consultation with Chad McBride and Jeff Child, retained for a modest nonprofit retainer the services of George Lambert, of counsel to Fischer, Downey, Albrecht & Riepenhoff, LLC. Mr. Lambert is a recognized expert working with nonprofit organizations on matters of governance, including by-laws and internal review processes. He is expected to provide some recommendations for the association going forward.

The net additional costs to the Association for filing delinquent tax forms and reinstating the Association's state business license came to approximately \$10,000. There has been no significant impact on the Association's finances, either its operating cash reserves or investment assets, which have not been touched for this purpose.

In addition to recovering the Association's delinquent tax reports and business licensing, the Executive Director, President, and Finance Committee chair have already put steps in place to protect the Association's federal and state obligations going forward. They include the use of an online accounting software program, Quickbooks, since July 1, 2018. Quickbooks not only tracks revenue and expenses but is used to produce income statements, balance sheets, expenditure reports, and other reports that can provide updates and guide the Executive Board's financial decision-making. We applaud the initiative to start using a recognized accounting software package.

Causes

There are both individual and organizational causes for why Federal 990 income tax returns and business license renewals were not submitted from 2014 through 2018.

The individual cause is straightforward: the Executive Director did not fulfill the duties of the position as described in Appendix E of the Association's Policies and Procedures Manual. Jimmie has agreed he was not aware of those duties and therefore did not file the required tax forms or licensure renewals. He points out he would not have knowingly ignored doing so had he known. In the end, all officers are expected to know the duties for which they have been elected or appointed as described in the Association's documents. While he presented annual budgets and financial reports to the Executive Committee, Jimmie also acknowledges his limited

command of sophisticated accounting methods, which is why he, too, advocated for using QuickBooks.

We also find organizational causes that contributed to the Executive Director's failure to fulfill tax filing and license renewal duties described in Appendix E.

Jimmie has relayed to the Ad Hoc Committee that during the shadow year, 2013-14, the "total time of one-on-one training I received from the outgoing Executive Director amounted to less than one hour. Several additional hours of training were supposed to happen, but they did not." He described in some detail meetings that were not scheduled, missed, or otherwise conducted only briefly. It became common knowledge at the time that there was tension between the incoming and outgoing directors, and in the end they requested the shadow year be cut short. The Executive Committee accepted their joint request but might have done more to assure itself that, in fact, a sufficient amount of information had been conveyed that would help assure the full functioning of the Executive Director's duties.

Another contributing organizational factor was (and still is) the confusing and lengthy Procedures Manual itself. While the duties described in Appendix E were clear and unambiguous, and should not have been overlooked, there were two earlier descriptions which, from all accounts, Jimmie fulfilled. The document was poorly organized, duplicative, and excessively long.

Finally, all the officers of the association are volunteers, who serve out of their commitment to the mission of the association. All the officers are expected to fulfill multiple tasks during their terms of office. There is no record in the minutes during Jimmie's tenure as Executive Director that the Executive Committee reviewed or confirmed the duties of any of the officers, including the Executive Director. There is also no record that approval of the Form 990 or the license renewal was ever on the agenda. It is, in the end, the organization that files these forms. While it was the responsibility of the Executive Director to prepare and present them, multiple eyes on this and other business matters might have prevented the multi-year failure to file.

Recovery and Renewal

Through the time-consuming and dedicated efforts of our leadership, the association has recovered from the income tax and business licensure matter. We can now build on that recovery toward renewal, not only of the Association's continued compliance with state and federal regulations, but also the assurance to our members that the Association has, and will continue have, sound financial and legal management. To this end, we recommend the following procedures for consideration by the Executive Board:

The Finance Chair and Finance Committee should play an active role in supervising and reviewing the financial management of the Executive Director. Specifically, the Executive Director should supply to the Finance Committee Chair for review by the Finance Committee the following:

At least quarterly: income statements, balance sheet, and expenditure reports based on Quickbooks.

A draft copy of the IRS Form 990 within thirty days of the end of each fiscal year.

A copy of documents submitted to the state or states to renew the association's business licenses.

Seek approval for an expenditure exceeding \$_____.

The Executive Committee should play an active role in reviewing and approving financial transactions, including the filing of any tax or regulatory documents.

Upon the recommendation of the Finance Chair following review by the Finance Committee, receive and file at least quarterly: income statements, balance sheet, and expenditure reports prepared by the Executive Director.

Upon recommendation of the Finance Chair following review by the Finance Committee approve submission of an annual IRS Form 990.

Upon recommendation of the Finance Chair following review by the Finance Committee, approve submission(s) of state renewal(s) or application(s) for business licenses.

The Association membership should receive an annual statement confirming that the Executive Committee has reviewed and submitted all necessary state and federal regulatory and tax related forms.

This statement can be added to an edition of the *CSCA Newsletter*.

Appropriate overlap of incoming and outgoing officers should be defined and fulfilled.

The overlapping years for officers as they progress through the chairs is clearly spelled out in the By Laws and should continue to be followed. As volunteers for various appointments have served shorter terms than in some prior years, a systematic overlap is even more important.

Incoming and outgoing committee chairs should have at least three months of shadowing.

A one year apprenticeship, involving ongoing shadowing of the outgoing Executive Director's activities by the incoming Executive Director, should be rigorously implemented, in consultation with the Chair of the Finance Committee. Successful completion of the shadow year should be reported to the Executive Committee.

The Constitution, ByLaws, Policies and Procedures manual should be reviewed for accuracy, organization, and duplications with a goal of making it clear, concise, and complete.

In closing, thank you for the opportunity to serve our Association and we will continue to assist in any way the officers and Executive Committee members feel would be appropriate.

Respectfully submitted,
Dr. Deanna Sellnow
Dr. Christina Beck
Dr. Donald Ritzenhein

Response to the Central States Communication Association Ad Hoc Committee Report
and Affirmation of the Committee's Recommendations

April 2020

Dear fellow CSCA Members:

I learned that we were delinquent in filing multiple tax returns and for renewing our nonprofit status when I initiated a financial review for the organization in April 2018. I was nearing the end of my Executive Director term, and it was my goal to hand over a clean financial slate to the next Executive Director and help ensure he was ready to make the transition to QuickBooks that was slated to begin July 1, 2018. At the first meeting with the accountants, who I hoped to hire to do the review, they were surprised to learn that the organization had not been filing tax returns. They also indicated that we had likely lost our nonprofit status. As part of that meeting I showed them the forms that I had been organizing and submitting to the IRS, but they informed me that those were not adequate for fulfilling the organization's tax filing obligations.

Immediately following that meeting, I called and notified Chad Edwards fully of the accountants' assessment. That same week I began working with the accountants to provide any information requested, including bank statements, income and expenditure spreadsheets, copies of our bylaws, any paperwork regarding our nonprofit status I could locate, and other details via email. This work continued after my Executive Director term ended on July 1, 2018 and through April 2019.

I want the organization to know I never willfully and knowingly disregarded my duties related to filing tax returns for the organization, nor did I intentionally not renew our West Virginia business license. I believed in my heart that the actions I was taking as Executive Director fulfilled our tax and incorporation obligations; but, as the committee's report indicates, there were multiple oversights both during my transition into office and during the time I served.

I hope it is apparent from my long record of service and participation in this organization that I care for it very deeply. The failures that occurred while I was in office put the organization at risk, and for that I feel terrible. Had I known that such tasks were required, then I would have taken action to ensure that we followed appropriate state and federal guidelines.

That being stated, I believe this is a chance for our organization to grow. I want to close by affirming that I believe the actions the ad hoc committee recommends are for the overall good of the association and will prevent additional organizational failure. I offer my thanks to the ad hoc committee for the labor they have provided and to everyone who has contributed to protecting the future of the association in the face of this setback.

Sincerely,

Jimmie Manning, Ph.D.