

Central States Communication Association
Ad Hoc Committee Report and Recommendations on
Filing Income Tax Returns and Business License Renewals
May 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. We have also received additional information from members of Executive Committees during Jimmie's tenure as Executive Director, which we acknowledge in this revised report. 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 described below:

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)

Further, 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)

In addition to information about the responsibilities of the position that members of the Executive Committee provided to Jimmie, 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 IRS 990 tax forms. At some point 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 from 2014 to 2018 that had to be created from bank accounts. 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.

Conclusion

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 told us he was not aware of those duties and therefore did not file the required tax forms or licensure renewals. While only Jimmie knows what he did or didn't know, several members of the Executive Committees during Jimmie's tenure indicated he should have known since they provided him with information in

addition to the job description in Appendix E. In the end, of course, all officers are expected to know the duties for which they have been elected or appointed as described in the Association's documents.

Recommendation

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. Our recommendation comes down to one word: oversight. The Central States Communication Association currently has an annual budget of approximately \$150,000, and investments of approximately \$450,000. The association, not just one or two individuals, has a fiduciary responsibility for oversight of these resources, including but not limited to filing Federal Income Tax returns. Therefore, we recommend the following practices be adopted by the Executive Committee:

The Finance Chair and Finance Committee should play an active role in reviewing the financial management of the Association. Specifically, the Finance Committee Chair should continue having the current access to financial records for review by the Finance Committee, and prepare or have prepared by the Executive Director 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 \$10,000.

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 review and 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*.

The benefits of Finance Committee, Executive Committee, and membership oversight of financial matters will provide the necessary checks and balances in order to fulfill the fiduciary responsibilities of our association.

In addition to our major recommendation, we also urge the Executive Committee to continue its work reviewing the Constitution, ByLaws, Policies and Procedures manual for accuracy, organization, and removal of duplications, with a goal of making it clear, concise, and complete.

In closing, we believe we have accomplished our charge as an ad hoc committee and believe our report reflects what we learned to improve transition processes for CSCA going forward. We thank you for entrusting us to complete this important work.

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.