



SVdP Governance Journal

April 2012

A monthly newsletter on Governance Issues for SVdP Leadership

Responsibilities of Councils

District Councils have the primary responsibility for the management and development of the Society in their geographic area. Where (Arch) Diocesan Councils exist, this responsibility falls to them for the Catholic Diocese in which they are present. Those items that fall under the categories of management and development are extensive. This article, however, is going to be restricted to cover the following topics: bylaws, tax exemption, insurance, annual reports, and 990s.

Bylaws

In the early 2000s, the National Council undertook a major project to define a standard set of bylaws to be used by all Conference and Councils. This was initiated because of the wide variety of bylaws documents that existed throughout the United States, many missing what were determined to be essential elements. Many existing bylaws had designations that were contrary to The Rule of the Society. Many did not follow good governance practices. In 2005, the National Council formally approved a model set of bylaws for Conferences, District Councils and (Arch)Diocesan Councils.

The approved models include compliance with The Rule of the Society, the structure of the Society, directives from IRS, and generally accepted good governance practices. Conferences and Councils were asked to adapt these bylaws to their specific environments and adopt them formally.

Although there was no specific mandate defined when the model bylaws were approved, the intent was for Conferences and Councils throughout the country who had no bylaws to adopt the model set appropriate to their structure. Those Councils and Conferences that already had bylaws were expected to revise their bylaws to come in line with the model corresponding to their structure.

The expectation at the Conference level is that each would adopt the bylaws and submit them to the District Council for approval. The District Council would review each set of Conference bylaws to ensure that they contain nothing contrary to The Rule, structure and spirit of the Society. The Conference bylaws should also take into account the specific governance rules defined within their District or (Arch)Diocesan Councils.

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The expectation at the District Council level is that each would adopt the bylaws and submit them to the next higher Council for approval. If a (Arch)Diocesan Council exists in the Diocese, that Council would review each set of District Council bylaws to ensure that they contain nothing that is contrary to The Rule, structure and spirit of the Society. The District Council bylaws should also take into account the specific governance rules defined within their (Arch)Diocesan Council. If a (Arch)Diocesan Council does not exist within their Diocese, the Regional Vice President is to do the review.

The expectation at the (Arch)Diocesan Council level is that each would adopt the bylaws and submit them to the Regional Vice President for approval. The Regional Vice President would review each set of (Arch)Diocesan Council bylaws to ensure that they contain nothing that is contrary to The Rule, structure and spirit of the Society.

Tax Exemption

Tax-exempt essentially means two things. First, it means that an organization is considered not-for-profit and does not have to pay taxes on its income. Second, it means that people and organizations that donate money will receive a tax deduction for that donation. Without tax-exempt status, SVdP would have to pay taxes on its income just like individuals and corporations. Without tax-exempt status, SVdP would not be able to give a tax deduction to those who make donations, therefore cutting off our primary source of funding.

There is a belief that the Society is a religious organization that is part of the Catholic Church, is automatically considered to be tax-exempt, and does not need to file a 990 at the end of each year. This is totally false. We are separate from the Catholic Church, we have to explicitly apply for and obtain tax-exempt status, and we have to file 990s at the end of each fiscal year.

It is an absolute responsibility of all SVdP entities to ensure that they have and maintain nonprofit tax-exempt status. This can be accomplished in one of two ways: applying for independent tax-exempt status or joining a tax-exempt group. Some of our Conferences and Councils have chosen to apply for and obtain their own independent tax exempt status from IRS. Most have not and, therefore, must be part of a formal tax exempt group.

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In 1946, the IRS issued a letter granting the Society of St. Vincent de Paul tax-exempt status because we are listed in the Official Catholic Directory. Even with that grant, SVdP still had to get EINs and an individual letter from the IRS showing that status. In 1999, the United States Council of Catholic Bishops (USCCB) recommended that all bishops remove from their listings in the Catholic Directory any organization over which they do not have direct control. That includes organizations such as the Society of St. Vincent de Paul, Knights of Columbus, and others. SVdP has been removed from at least two-thirds of the Dioceses listed in the directory.

In 2007, the National Council applied for and received its own independent tax-exempt status from IRS. In 2008, IRS granted Group Status to the National Council. From that point forward, the National Council was able to offer all SVdP entities an easy avenue for gaining nonprofit tax-exempt status.

Every Council has the responsibility to ensure that its members have the proper tax-exempt coverage. Every (Arch)Diocesan Council must ensure that itself, all its District Councils and their Conferences are covered. Every District Council, where there is no (Arch)Diocesan Council, must ensure that itself and all its Conferences are covered.

Here are the options available:

A Council may get an EIN, tax-exempt status for itself either directly from IRS or by joining the National Group, and include all of its Districts and Conferences under its own umbrella. To do this, each of the entities must use the same EIN. It is considered by IRS that the primary Council is doing-business-as (DBA) its subordinate Councils and *(Continued on page 4)*



“PATIENCE IS THE VIRTUE OF THE PERFECT. WHAT CONSOLATION ONE HAS WHEN SHE HAS SUFFERED SOMETHING FOR THE LOVE OF GOD! “

-ST. VINCENT DE PAUL



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1. Conferences. In this case, the primary Council would have to fill out a consolidated 990 each year that includes itself and all of its Councils and Conferences.
2. A Council may get an EIN and tax-exempt status for itself either directly from IRS or by joining the National Group that includes only itself. The Council would fill out a 990 at the end of each year that covers its own operation. The primary Council's subordinate Districts and Conferences would each have to get their own EINs, apply for their own status, and submit their own 990s at the end of each year.
3. The most complex of the three options is that a Council may get an EIN and tax-exempt status directly from IRS that covers itself only. It may then apply for and receive from IRS its own Group Status. Its subordinate Councils and Conferences would then get their own EINs and apply for inclusion in the primary Council's group. The primary Council would file a 990 annually covering only itself. It may then file a consolidated 990 for all the members of its Group or have all of the members of its Group file separate 990s.

The fact is that only about 25 percent of all SVdP entities have taken action regarding this. Some know what they need to do but are simply not taking any action. Some are operating under the false assumption stated above. Some have ignored the whole issue and hope it will go away. Some are totally confused by the whole issue. And, some have ignored all of the communications from the National Council Office and really don't know the problem exists.

Even with those that have taken action and have received their tax-exempt status, some have chosen not to file the annual 990 and have had their tax-exempt status revoked. For those who have, their only recourse is to start from scratch and hope their donors don't find out. Not having tax-exempt status, either because they didn't take action or because they had it revoked, places a dark shadow on the Society as a whole.

Insurance

Insurance coverage is a big concern. There are a number of different types of insurance that come into play related to the Society of St. Vincent de Paul. Just to consider a brief listing: general liability, property coverage, vehicle coverage, directors and officers, crime coverage, employee liability coverage, technology coverage, and employee coverage (healthcare, life insurance, workers comp). The amazing thing is that this is the short list. *(Continued on page 5)*



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Depending on the size of the Council, one or all of these (or even more) must be purchased on behalf of the Society, its members, staff, donors, volunteers, and those they serve. This article cannot get into all of the considerations related to the various aspects of insurance. ***It must be understood, however, that insurance is necessary and every Council must take seriously the challenge it presents.***

The National Council has entered into an arrangement to provide basic liability coverage for all Councils and Conferences that can qualify and want to participate. This is basic liability coverage that is appropriate for the average Conference and a small Council. The Conference and Council that is eligible for this coverage must not own or lease any property. This insurance group currently has about 300 SVdP Conferences and Councils participating. It costs \$175.00 per year. This is a reasonable cost for \$2 million worth of liability coverage.

Once you get into property ownership/lease or staffing, then the complexities of the insurance plans grow. It is at that point that you have to be very careful and involve professional guidance. Cost is an enormous factor, and you must understand the risks involved and compare that to the cost of providing the insurance. Just to repeat what was stated above: insurance is necessary and every Council must take seriously the challenge it presents.

Annual Reports

Every Conference and Council of the Society is expected to fill out and submit an annual report— no exceptions. For Isolated Conferences, the annual report is to be filled out and sent in to the National Office. For all other Conferences, the annual report is to be filled out and submitted to their District Council. The District Council is expected to compile a Consolidated Annual District Council Report and submit that to its (Arch)Diocesan Council. If no (Arch)Diocesan Council exists in its Diocese, the District Council must submit its consolidated report to the National Council Office. The (Arch)Diocesan Council is expected to compile a Consolidated Annual

(Arch)Diocesan Council Report and submit it to the National Office. All of this is to be done in a timely manner: no later than January 31 for all who use a September 30 fiscal year-end and February 28 for others.

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It is expected that the District Council follow up in every way possible to ensure that its Conferences are submitting their Annual Reports accurately and in a timely manner.

Although this responsibility has been taken on by many (Arch)Diocesan Councils, it is still ultimately the responsibility of the District Council. The two key phrases in the bold statement above are “accurately” and “timely manner.” An effort must be made to ensure that every Conference officer involved in preparing the reports understands how to fill out the report and what is the expected content in each data field. Full instructions are provided with Annual Report Forms, but there are still occasional misunderstandings of how the data should be entered. The District Council must also ensure that all of the Conference reports are received in sufficient time to consolidate the numbers and submit its report to the (Arch)Diocesan Council or to the National Council Office.

It is possible to enter the Annual Reports directly online and avoid the slow paper process. Approximately 50 percent of our Conferences and Councils are taking advantage of this capability. The sooner we get every Conference and Council doing so, the better. Entering the data online speeds up the process and improves the accuracy of the reporting. A great feature of the online reporting is that it can automatically total data and provide consolidated information. Each Council is expected to promote as well as train people to use this system.

990s

Much is said earlier in this article about tax exemption. Although 990 reporting is mentioned often, we must briefly address it again. ***Every nonprofit that has its own EIN must submit a 990 to the IRS each year.*** The only exception is when the 990 is being prepared as a consolidated report as described in option #3 under tax exemption above. Keeping that in mind, there are three versions of form 990 that may come into play:

- 990-N: This is the easiest way to report and it is available to any nonprofit that has income of \$50,000 or less for the year.
- 990-EZ: This form must be filled out and submitted if income is greater than \$50,000 and total assets are \$200,000 or less.
- 990: This is the full form and the most complex. It must be filled out if income is greater than \$50,000 and total assets are greater than \$200,000.

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To emphasize again: 990-reporting is extremely important. Recently the IRS established a policy and procedure to automatically revoke the tax-exempt status of any nonprofit that has not reported for three consecutive years. At this point, hundreds of thousands of nonprofits have had their tax-exempt status revoked. Some SVdP Conferences and Councils are in that number.

Once the tax-exempt status is revoked for lack of 990-reporting, there is no appeal. In order to get reinstated, a SVdP Conference or Council must use a form 1023 to apply for its own independent tax exemption. There is a significant fee associated with the application, and the revoked entity will not be able to join or re-join the National Group.

**If there be righteousness in the heart
there will be beauty in the character.
If there is beauty in the character
there will be harmony in the home.
If there is harmony in the home
there will be order in the nation.
When there is order in the nation
there will be peace in the world**

-Author Unknown



Research

Study: Half of U.S. Charitable Organizations Report an Uptick in Fundraising During 2011

(Source: Nonprofit Business Advisor)

The Nonprofit Research Collaborative (NRC)—a group of organizations studying nonprofit fundraising and grantmaking activities—has announced that for the first time since 2007, more than half of surveyed U.S. charitable organizations saw growth in charitable giving, according to a new report. *(Continued on page 8)*



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NCR releases two studies annually concerning the state of fundraising. This newest survey found that 53 percent of U.S. charities said contributions increased in 2011; 16 percent saw charitable receipts remain flat in 2011; and perhaps most encouraging, less than a third saw received contributions fall in 2011.

Andrew Watt, FInstF, president and CEO of the Association of Fundraising Professionals (AFP), said researchers were surprised by the data, because of previous NRC surveys that reflected flat levels of fundraising through September 2011.

"We saw a strong surge in year-end giving, helped by the slowly growing economy and people responding to the needs of their communities," said Watt, in a statement.

As for the future, the report found that over 70 percent of organizations expect charitable contributions to rise, even though they admit to still having concerns about the economy. Nearly a third of the participants—national and international—said that the economy will be the greatest threat to fundraising this year.

Respondents also said that the methods donors use to give are changing. According to the data, organizations are using a number of different fundraising techniques— eight to 10 on average—but they experienced the biggest increase in online giving.

Chuck Longfield, Blackbaud's chief scientist, said that donors are increasingly logging on to make their donations—with nearly 60 percent of responding organizations reporting an increase in online fund-raising in 2011.

"From what we have seen in the industry, to drive this successful level of online response, fundraisers must engage their donors across multiple channels," said Longfield."

The report also queried survey participants about their board size, members' fundraising activities, and board giving.

For more information

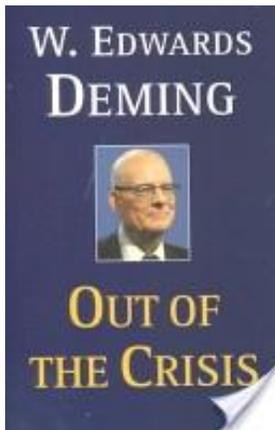
The Nonprofit Research Collaborative (NRC) partners include: the Association of Fundraising Professionals; Blackbaud; Campbell Rinker; the Center on Philanthropy at Indiana University; Convio; GivingUSA Foundation; and the National Center for Charitable Statistics at the Urban Institute. To read the complete NRC Nonprofit Fundraising Study, go to www.NonprofitResearchCollaborative.org. ■

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"Out of the Crisis"

(Article written by Jim Shaffer, President, [Jim Shaffer Group](#))



Edwards Deming has been described as the Mozart of quality, the Shakespeare of business consulting and the Michelangelo of management science. I'm not one for hyperbole, but this description fits Deming like a well-tailored suit. He engineered the rise of Japanese quality and competitiveness after World War II, and he was the thought leader behind the core concepts of lean six sigma. *(Continued on page 10)*

Deming's *Out of the Crisis*, published 26 years ago, still reads like a contemporary guide to the way organizations should be led. Many of today's management initiatives reflect his ideas, whether it's excellence, reinvention, systems thinking, process management or continuous improvement.

Deming laid out his thinking in 14 points. They are all relevant today, but here are some highlights.

Leadership

Deming was the first vocal proponent of driving out fear in the workplace and shifting the role of leaders to what's commonly called servant leadership. Instead of command and control leadership styles, he advocated one that "helps people and gadgets to do a better job."

Quality

Deming was a zealot on building quality into the product versus inspecting it out at the end of the production line. I consulted to General Motors when engine blocks coming off the assembly line could vary in weight by as much as 200 pounds. Defects were corrected after the car was built, causing huge amounts of costly rework. Later, I consulted to Toyota's Georgetown, Kentucky, factory. They built cars right the first time, minimizing inspection at the end of the line.

Deming also emphasized continuous improvement. "Improve constantly and forever the systems of production and service," he wrote. The widely used Plan, Do, Check, Act process was his creation.

Cost

Deming advised companies to stop awarding business to suppliers based only on cost, and he advocated building long term, trusting relationships with a single supplier. That's why Southwest *(Continued on page 10)*



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Airlines purchases only 737 airplanes from Boeing. It saves money in many ways. There's only one training curriculum for pilots, flight crews and maintenance people. Parts inventories are kept simple.

Collaboration

Purposeful collaboration contributes to better and faster new product development, quality, service cost. Deming's Point #9 shouts: "Break down barriers between departments. People in research, design, sales, and production must work as a team to foresee problems of production and in the way a product and service will be used."

IBM owes its immense success today in part to focusing on creating a portfolio of integrated products and services out of a company that previously was highly segmented by function, business unit and geography.

Communication

How many companies right this minute have a favorite program like *Project Success*, *Competitive Advantage* or whatever. The beginning of the decline of any initiative starts when it's named. That's when it becomes a program that falls outside the normal way work gets done. In Point 10, Deming counseled to "eliminate slogans, exhortations, and targets for the work force..." "Such exhortations only create adversarial relationships," and contribute to low quality and low productivity.

His larger statement about slogans was that quality and productivity problems are mainly systems problems, not people problems. If you exhort people to improve without improving the systems you merely frustrate the living hell out of them.

If you want a hundred more great ideas for running your business right now, read [Out of the Crisis](#).

Here Begineth the Lesson

(By: Jerold Panas)

If you have been with me at one of my seminars or workshops, you've heard me preach the gospel of the *joy of giving*. You've also heard me speak of a phenomenon that takes place when a person makes a gift of significance.

I refer to the references in the New Testament that tell us that when funds are given in abundance
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Society of St. Vincent de Paul
Office of the National Executive Director
58 Progress Parkway
St. Louis, MO 63043
314-576-3993 - E-mail: usacouncil@svdpusa.org

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and sacrificially, the gift somehow comes back to the donor. It is also mentioned in the Koran and the Torah. It is mentioned fifteen times in the Old Testament.

I know it happens. I cite a dozen actual people of this in my book, *Mega Gifts*.

Every time I interview a philanthropist, I ask the same question: “Do you find that when you give a major gift to one of your causes, the money somehow comes back to you? I’m not talking about the joy you receive or how you might feel spiritually. I’m referring to the money.”

The answer is always the same. The money does indeed return.

I am reminded once again of this extraordinary truth the other day. I am in London with a client. I’m talking with Winston. He gives £500,000 a year (about US\$800,000) to my client. I discover he also gives to a number of other organizations.

We talk about his giving. It turns out he gives 30 percent of his income to charity and an additional amount to his church. I ask if this is difficult in a down-sized economy.

“I wouldn’t think of cutting back,” Winston says. “I love giving. It’s my passion. And the truth is, I’m afraid to stop. Since I’ve started giving at this level, my income has increased dramatically.”

Here endeth the lesson.

NONE OUGHT TO GOVERN WHO IS NOT BETTER THAN THE GOVERNED.

AUTHOR UNKNOWN

