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2  
3 During its October 11, 2008 meeting, the Board of Directors (Board) established the Constitution and Bylaws  
4 Committee (Committee). The mission of the Committee is to ensure the integrity of the Society’s Constitution  
5 and Bylaws by periodically reviewing the documents and recommending appropriate amendments to meet the  
6 changing needs of the organization and promote effective governance. The Board requested the Committee  
7 focus its initial efforts on determining whether the Society needs to amend its Bylaws to comply with the  
8 governance expectations that are implicit in the new IRS Form 990.  
9

10 The Committee met on February 11, 2009 to take action in response to the direction received from the Board.  
11 The Committee prepared the documents requested by the Board. Copies of the redline document (Attachment  
12 3) and the clean document (Attachment 2) are attached. To assist the Board and others reviewing the proposed  
13 revision, the Committee has created a side-by-side comparison of each proposed revision to the Constitution  
14 and Bylaws (Attachment 4). The rationale behind the revisions is set forth below.  
15

### 16 **Overview-The New IRS 990 Form**

17  
18 The IRS has issued a new Form 990 that must be submitted by most federal income tax-exempt organizations,  
19 including trade associations and professional societies. To a significant extent, the revised Form 990 is the  
20 IRS’s reaction to concerns expressed by key committees in Congress for greater disclosure and improved  
21 governance in nonprofit tax-exempt organizations. It is the position of the IRS that appropriate governance  
22 enhances transparency and compliance with the federal income tax exemption requirements. The IRS  
23 continues to seek to promote good governance practices, which it now states are “best reflected in the reporting  
24 required by the revised Form 990.”<sup>1</sup>  
25

26 Among other new features, Form 990 sets forth a series of governance, management and policy questions, to  
27 which organizations must answer “yes” or “no” in Part VI of the form. Questions 9(a) and 9(b) ask whether the  
28 organization has chapters, branches or affiliates and whether the organization has written policies and  
29 procedures governing the activities of these entities to ensure their operations are consistent with that of the  
30 “parent” organization. The IRS has indicated that organizations should provide a narrative response when  
31 addressing the latter question (e.g., If “no,” why the organization has not done so—If “yes,” how the  
32 organization has accomplished this). A “no” response to the latter question could trigger scrutiny of the Society  
33 and/or the county medical societies (county societies). *See attached chart (Impact of IRS Form 990 on Society*  
34 *Governance and Decision Making) for a more complete analysis of the Society’s potential exposure to risk if it*  
35 *answers “no.”* Once the IRS determines that an organization has policies in place, the IRS will then be looking  
36 to gauge whether they are “good” policies and whether they are actually in regular use.  
37

38 Based on the information outlined above, the Society is working to adopt clear and comprehensive county  
39 society relational policies, the first step of which is drafting and adopting revisions to its Constitution and  
40 Bylaws.  
41

### 42 **Proposed Revisions and Rationale**

#### 43 **Constitution**

#### 44 • **Article IV, Section C**

##### 45 **Current Language**

46 C. County Medical Societies. Members of the Society shall be organized into county medical societies  
47 (“county societies”). The county societies shall be chartered by the House and organized into districts  
48 (“Districts”).  
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50  
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<sup>1</sup> *IRS Governance of Charitable Organizations and Related Topics*, available at:  
<http://www.irs.gov/charities/article/0,,id=178221,00.html>

**Proposed Revision**

C. County Medical Societies. Members of the Society shall be organized into county medical societies (“county societies”). The county societies shall be chartered by the ~~House~~-Board and organized into districts (“Districts”).

**Rationale**

Since its inception, the Society’s Constitution and Bylaws has accorded it the ability to charter county societies. According to the Society’s historical records, the Society issued a charter document to each county society. However, the Society’s records do not contain copies of the charter documents, and the specific content of those documents is unknown. In recent years, neither the House of Delegates (House) nor the Board has been actively engaged in the chartering process because all county societies are deemed to be chartered. The new IRS Form 990 specifically inquires about mechanisms to ensure that the operations of local affiliates are consistent with the operations of the parent organization. The charter process, albeit inactive in recent years, is the longstanding mechanism for ensuring the operational consistency between the Society and its affiliated county societies. The reactivation of the charter process is an effective method of using existing governance tools to demonstrate the compliance of the Society and county societies with the governance expectations that are implicit in the new IRS Form 990. In view of the new IRS Form 990, the Society would engage in the chartering process by regularly updating or renewing its charter agreement with county societies. Issuing or renewing the charter agreement on a regular basis would demonstrate a renewed commitment on the part of both the Society and county societies to ensuring effective governance.

The Bylaws have always given the Board the authority to exercise the powers of the House when the House is not in session; this includes the power to engage in the chartering process. (*See Bylaws Chapter IV, Section 1.*) The proposed revision to the Constitution grants the Board primary responsibility for the chartering process for the following reasons:

- The Board meets with greater frequency than the House, making it nimble enough to resolve any charter issues in a timelier manner.
- The Board is likely to have the most up-to-date information about county societies given county societies’ ability to exchange information with the Society through District Directors.
- This revision combined with the new language added to Ch. V, Section 9 of the Bylaws affords due process to the county societies by allowing any county society to appeal a charter action of the Board (e.g. denial, suspension, revocation) to the House.
  - The bifurcation of the decision-making process allows the Board to serve as the primary decision maker and the House to bring a fresh view and broader perspective to any charter dispute, in its role as the final arbiter of such disputes.

**ACTION REQUESTED**

The Committee requests that the constitutional amendment above (1) be introduced in open session at the 2010 Annual Meeting as required by Article VIII of the Constitution (2) be officially published by the Society or sent to each member at least two months prior to the 2011 Annual Meeting and (3) be approved by the House of Delegates at the 2011 Annual Meeting. An amendment to the Constitution must lie over for one year before being voted upon by the members of the House.

**Bylaws**

- **Ch. I, Section 4**

**Current Language**

*Section 4. Transfer of County Society Membership*

A physician may hold his or her county society membership in any county in which he or she has a significant portion of his or her practice. A member in good standing may decide to transfer his or her county society membership to another county in which he or she has a significant portion of his or her practice. A request to transfer county society membership shall be made in writing and sent to the office of

1 the Executive Vice President of the Society. The Society shall verify whether the member holds a valid  
2 medical license and inform both county societies of the transfer request. Dues and assessments, if already  
3 paid by the member, will stay with the original county society. If dues and assessments have not yet been  
4 paid, they shall be paid to the county society where the member desires to transfer his or her membership.

5  
6 **Proposed Revision**

7 *Section 4. ~~Transfer of County Society Membership~~ Requirements*

8 A physician may hold his or her county society membership in any county in which he or she has a  
9 significant portion of his or her practice. A member in good standing may decide to transfer his or her  
10 county society membership to another county in which he or she has a significant portion of his or her  
11 practice. A request to transfer county society membership shall be made in writing and sent to the office of  
12 the Executive Vice President of the Society. The Society shall verify whether the member holds a valid  
13 medical license and inform both county societies of the transfer request. Dues and assessments, if already  
14 paid by the member, will stay with the original county society. If dues and assessments have not yet been  
15 paid, they shall be paid to the county society where the member desires to transfer his or her membership.  
16 The Society's county society membership requirement shall be waived for all members who have a  
17 significant portion of their practice in a county not served by an active county medical society.

18  
19 **Rationale**

20 As part of its endeavors to improve the overall organization of the Bylaws, their clarity and opportunities  
21 for effective governance, the Committee revised the title of this section to more accurately reflect its  
22 content.

23 Additionally, the Committee added a new sentence at the end of the section to ensure that physicians are  
24 not disenfranchised from exercising the privilege of Society membership simply because they have a  
25 significant portion of their practice in a county that lacks an active county society.

26 The addition of this language:

- 27 ○ Preserves the connection between the Society and physicians with a significant portion of their  
28 practice in a county without an active county society, which could serve as a springboard for  
29 reactivating a county society at a later time.
- 30 ○ Protects active county societies by preventing members from avoiding the payment of an “active  
31 county society’s” dues or otherwise circumventing county society membership requirements by  
32 opting for membership in an “inactive county,” when the members have a significant portion of  
33 their practice in a county with an active county society.

34  
35 • **Ch. I, Section 6/Ch. V, Section 7**

36  
37 **Current Language**

38 Currently there is no Ch. I, Section 6-The language proposed in this section was moved from Ch. V,  
39 Section 7

40  
41 **Proposed Revision**

42 *Section 6. Appeal Process for Membership Expulsions and Suspensions*

43 Any physician who feels aggrieved by his or her county society's decision to suspend or expel him or her  
44 shall have the right to appeal the suspension or expulsion to the Board of the State Society, whose decision  
45 shall be final. A county society shall at all times be permitted to appeal or refer questions involving  
46 membership to the Board of the State Society for final determination. The Board shall adopt procedures to  
47 implement this section.

48  
49 **Rationale**

50 This change is largely editorial in nature, as the Committee has changed only the placement of the  
51 language rather than the text. The language was moved from Chapter V (County Societies) to Chapter I  
52 (Membership) because the language (1) specifically relates to membership; and (2) focuses on the  
53 individual physicians, whereas Ch. V deals with issues affecting the entire county society.

1 • **Ch. II, Section 10 C**

2  
3 **Current Language**

4 C. AMA Delegates. The House shall elect Delegates to the House of Delegates of the American Medical  
5 Association (AMA) in accordance with the AMA Constitution and Bylaws. No person who has served 12 or  
6 more consecutive years as a Wisconsin delegate to the AMA shall be eligible to serve another term unless the  
7 delegate will concurrently serve on any of the following AMA Councils: Constitution and Bylaws, Medical  
8 Education, Medical Service, Ethical and Judicial Affairs, Long Range Planning and Development, Legislation,  
9 Scientific Affairs, or the American Medical Political Action Committee Board of Directors.

10  
11 **Proposed Revision**

12 C. AMA Delegates. The House shall elect Delegates to the House of Delegates of the American  
13 Medical Association (AMA) in accordance with the AMA Constitution and Bylaws. No person who has  
14 served 12 or more consecutive years as a Wisconsin delegate to the AMA shall be eligible to serve another  
15 term unless the delegate will concurrently serve on any of the following AMA Councils: Constitution and  
16 Bylaws, Medical Education, Medical Service, Ethical and Judicial Affairs, Long Range Planning and  
17 Development, Legislation, ~~Scientific Affairs~~Science and Public Health, or the American Medical Political  
18 Action Committee Board of Directors.

19  
20 **Rationale**

21 The American Medical Association (AMA) changed the name of the “Council on Scientific Affairs” to the  
22 “Council on Science and Public Health” in June 2005 to more fully reflect the scope of the issues the  
23 Council addresses. The revision to the Society’s Bylaws is a minor editorial change. While this revision is  
24 not specifically related to the IRS Form 990, it is important for the Society’s Bylaws to accurately identify  
25 the AMA Councils.

26  
27 • **Ch. IV, Section 5 H**

28  
29 **Current Language**

30 H. The Board shall evaluate applications from and issue charters to county societies, subject to ratification  
31 by the House. The Board may make recommendations to the House to revoke the charter of any county  
32 society whose actions are in conflict with the letter or spirit of the Society’s Constitution and Bylaws. In  
33 sparsely populated counties, the Board shall have the authority to organize the physicians of two (2) or  
34 more counties into a single county medical society; such multi-county societies, when organized and  
35 chartered, shall be entitled to all of the rights and privileges provided for other county medical societies.

36  
37 **Proposed Revision**

38 The Board shall evaluate applications from and issue charters to county societies, ~~subject to ratification by the~~  
39 ~~House~~. The Board may ~~make recommendations to the House to suspend or~~ revoke the charter of any county  
40 society whose actions are in conflict with the letter or spirit of the Society’s Constitution and Bylaws or have  
41 violated the charter agreement entered into with the Society. In sparsely populated counties, the Board shall  
42 have the authority to organize the physicians of two (2) or more counties into a single county medical society;  
43 such multi-county societies, when organized and chartered, shall be entitled to all of the rights and privileges  
44 provided for other county medical societies.

45  
46 **Rationale**

47 The “subject to ratification by the House” language and the “make recommendations to the House to”  
48 language were removed to provide consistency with the proposed revision to the Society’s Constitution.  
49 *See comments related to the proposed revision of Article IV, Section C of the Constitution for details on*  
50 *the rationale for this proposed revision.*

**Constitution and Bylaws Committee  
Report to the Board**

1 The Committee recommends the addition of the words “suspend or” before the word “revoke” for the  
2 following reasons:

- 3 ○ It believes the Society should have the option of demonstrating its commitment to responding to  
4 noncompliance of the charter agreement in a less extreme manner than revocation.
- 5 ○ Providing a less extreme action to address non-compliance will help to preserve the sanctity of the  
6 relationship between the county societies and the Society should a situation of noncompliance  
7 with the charter agreement arise that the parties are not able to resolve quickly.

8  
9 The Committee proposed revisions related to the violation of the charter agreement for the following  
10 reasons:

- 11 ○ The charter process is an effective method of using existing governance tools to demonstrate the  
12 compliance of the Society and county societies with the governance expectations that are implicit  
13 in the new IRS Form 990.
- 14 ○ For the chartering process to be an effective compliance tool, it must provide the Society with the  
15 ability to monitor and respond appropriately to noncompliance.

16  
17 *See comments related to revisions to Ch. V, Sections 1 and 7 (New language) of the Bylaws for additional*  
18 *information on the charter process.*

19  
20 • **Ch. V, Section 1**

21  
22 **Current Language**

23 *Section 1. Charters*

24 The Board shall issue charters to all county medical societies (“county societies”) who have submitted  
25 their constitutions and bylaws to the Board, provided that their constitutions and bylaws are not  
26 inconsistent with the Constitution and Bylaws of this Society. All county societies shall submit revisions  
27 of their constitutions and bylaws to the Society for approval by the Board and filing with the Executive  
28 Vice President. Where a county society’s constitution and bylaws are unavailable, the model constitution  
29 and bylaws for county medical societies, as last approved by the Board, shall apply.

30  
31 **Proposed Revision**

32 *Section 1. Charters*

33 The Board shall issue charters to all county medical societies (“county societies”) who have [signed a](#)  
34 [charter agreement and](#) submitted their constitutions and bylaws to the Board, provided that their  
35 constitutions and bylaws are not inconsistent with the Constitution and Bylaws of this Society. [All county](#)  
36 [societies shall sign a charter agreement annually. Failure to sign the charter agreement may result in the](#)  
37 [suspension or revocation of a county society’s charter.](#) All county societies shall submit revisions of their  
38 constitutions and bylaws to the Society for approval by the Board and filing with the Executive Vice  
39 President. Where a county society’s constitution and bylaws are unavailable, the model constitution and  
40 bylaws for county medical societies, as last approved by the Board, shall apply.

41  
42 **Rationale**

43 ***Charter Process and Charter Agreements***

44 The questions that the Society must answer on the IRS Form 990 suggest that an organization that charters  
45 affiliated entities, such as county societies, should have (1) knowledge of the operations of the chartered  
46 entities, and (2) oversight and assurance that the chartered entities implement and follow policies and  
47 procedures that are consistent with the “parent” organization. As previously discussed, the  
48 reimplementaion of the chartering process and the adoption of charter agreements provide an effective  
49 means of demonstrating compliance with the governance expectations that are implicit in the new IRS  
50 Form 990. *See comments related to proposed revisions to Article IV, Section C of the Constitution and Ch.*  
51 *IV, Section 5H of the Bylaws.*

- 1 The Committee recommends the reimplementing of the charter process because it would:
- 2 ○ Enhance the reputation of the organizations by strengthening the governance of both
  - 3 organizations through the adoption of principles of good governance.
  - 4 ○ Ensure that the organizations have a shared understanding of the nature of their relationship—
  - 5 when organizations fail to articulate this, confusion, frustration and tension can arise between the
  - 6 organizations.
  - 7 ○ Enhance transparency and provide for a system of checks and balances within the organizations.
  - 8 ○ Implement a mechanism by which the Society can monitor compliance, address noncompliance
  - 9 and demonstrate effective governance.
  - 10 ○ Reduce exposure to risk for the Society and county societies (e.g., reduce risk of audit by the IRS,
  - 11 which could be a time-consuming, expensive and laborious experience for an organization and
  - 12 could lead to additional audits of the organization or other related organizations). *See attached*
  - 13 *chart.*
  - 14 ○ Result in the adoption of policies and procedures that create internal controls (e.g., requiring
  - 15 approval of all expenditures by more than one officer, having bank statements mailed to more
  - 16 than one officer, review of the financial records by the Officers/Board at least annually), which
  - 17 would reduce the probability of having financial mismanagement or fraud.<sup>2</sup>

18  
19 The proposed revisions to the Bylaws references charter agreements, but does not provide specific details  
20 regarding the content of the agreements. This was intentional, as this issue is best addressed by the  
21 Society’s Board, which can review and update the charter agreement annually.<sup>3</sup>

22  
23 ***Signature of Charter Agreements Annually***

24 Language setting forth the requirement that charter agreements be signed annually in the Bylaws was  
25 proposed by the Committee to:

- 26 ○ Ensure the charter agreement is reviewed and updated on a regular basis so that it accurately reflects
- 27 the current policies and procedures of the Society, any new expectations or requirements adopted by
- 28 the IRS or other regulatory entities and the date(s) by which reports or other documents must be filed
- 29 with the Society.
- 30 ○ Maintain open and ongoing communications between the Society and county societies on governance-
- 31 related issues.
- 32 ○ Provide new officers of county societies with information regarding the charter process and
- 33 requirements in a timely manner.

34  
35 ***Addressing Noncompliance with Charter Agreements***

36 For the chartering process to serve as a mechanism to ensure the operations of affiliate county societies,  
37 the Society must have the ability to respond to county societies that are not compliant with the chartering  
38 policies and procedures established by the Society. The revision proposed by the Committee would  
39 provide the Society with the mechanism necessary to take action if a county society would not agree to  
40 comply with the Society’s chartering requirements. Without such a mechanism, the Society would not  
41 have the authority to ensure that county societies comply with the Society’s policies and procedures and  
42 the principles of good governance implicit in the IRS Form 990. This would result in exposure to risk for  
43 the Society. *See attached chart for a more complete analysis of the Society’s potential exposure to risk.*  
44 *Also, see comments related to the proposed revisions to Ch. IV, Section 5H and Ch. V, Section 7 (New*  
45 *language) of the Bylaws for additional information on the implementation of an enforcement mechanism.*

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<sup>2</sup> Any organization is vulnerable to financial mismanagement and fraud within its ranks, and small nonprofit organizations are especially susceptible. The inherent atmosphere of trust, difficulty in verifying certain revenue streams, limited or non-existent internal controls, lack of business and financial expertise and reliance on volunteers creates an environment ripe for financial mismanagement and fraud.

<sup>3</sup> According to numerous sources, an association’s bylaws should be limited to the basic provisions that are necessary for an organization to function. Resolutions, rules, policies, procedures and other documents should be adopted by the Board to address specific issues. See *Professional Practices in Association Management*, ASAE, 1997, pages 19 and 37 and *Association Law Handbook*, Third Edition, Jerald A. Jacobs, 1996, pages 2, 25 and 28

1 • **Ch. V, Section 2**

2  
3 **Current Language**

4 *Section 2. County Societies*

5 Only one (1) county medical society shall be chartered in each county. In sparsely populated counties, the  
6 Board may organize the physicians of two (2) or more counties into a single county medical society as  
7 provided in Chapter IV, Section 5 of these Bylaws. Such multi-county societies, when organized and  
8 chartered, shall be entitled to all of the rights and privileges provided for other county societies.  
9

10 **Proposed Revision**

11 *Section 2. County Societies*

12 Only one (1) county medical society shall be chartered in each county. In sparsely populated counties, the  
13 Board may organize the physicians of two (2) or more counties into a single county medical society as  
14 provided in Chapter IV, Section 5 of these Bylaws. Such multi-county societies, when organized and  
15 chartered, shall be entitled to all of the rights and privileges provided for other county societies. To remain  
16 active a county society shall meet at least once each calendar year.  
17

18 **Rationale**

19 The Society's Constitution requires the Society to hold an Annual Meeting. (*See Article IV, Section 1 of*  
20 *the Constitution*) This requirement is consistent with Wisconsin law.<sup>4</sup> The revision proposed would set  
21 forth a comparable requirement for county societies. Annual meetings are a fundamental basis for a  
22 successful organization and are crucial to an organization's vibrancy.  
23

24 An annual meeting facilitates good governance and is essential to organizations because it:

- 25 ○ Establishes organizational continuity and demonstrates the stability and permanence of the  
26 organization.
- 27 ○ Provides a venue for the organization to report to its members on the activities and finances of the  
28 organization, which reaffirms the organization's commitment to transparency and accountability.
- 29 ○ Allows for the annual election of officers and other representatives (e.g., delegates).
- 30 ○ Ensures there is a forum (1) to review the mission, vision and priorities of the organization; (2) to  
31 engage in the budget and strategic planning processes; and (3) to introduce, discuss and/or vote on  
32 matters such as resolutions, policies and procedures, and constitution and bylaws revisions and  
33 conduct other organization business.  
34

35 • **Ch. V, Section 4**

36  
37 **Current Language**

38 *Section 4. Secretary*

39 The secretary of each county society shall keep a roster of its members.  
40

41 **Proposed Revision**

42 *Section 4. Secretary*

43 The secretary of each county society shall ~~keep~~obtain a roster of its members. The Secretary shall record  
44 and retain minutes of all meetings of the county society and its members.  
45

46 **Rationale**

47 The Society currently provides county societies will up-to-date membership rosters. The Committee  
48 recommended that the word "keep" be replaced by "obtain" to more accurately reflect the current practices  
49 of the organizations.  
50

51  
52  
53 Based on the factors noted below, and the fact that minutes provide organizational transparency, the  
54 Committee recommends adding language requiring county societies to record and maintain minutes.

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<sup>4</sup> Wis. Stat. § 181.0701 (1)

- Recording and maintaining minutes of all meetings of an organization’s members and board is consistent with Society policy and Wisconsin law.<sup>5</sup>
- Accurate, concise and complete minutes are of vital importance to an organization. They are the official historical and legal record of the proposals, reports and decisions of the members. Minutes are invaluable for reference, and the courts give them great weight as evidence. Auditors depend on them for proof of authorization for important expenditures.<sup>6</sup>
- Properly written minutes can be the best evidence of conscientious legal compliance by an association. Courts and agencies have in past instances carefully studied the texts of meeting minutes when association policies or programs were challenged for tax or antitrust reasons.<sup>7</sup>
- The IRS has articulated its stance on the issue of minutes through its inclusion of a question in the governance section of the new IRS Form 990 related to minutes.<sup>8</sup>

• **Ch. V, Section 5**

**Current Language**

*Section 5. Inactive Status*

The Society’s Board may consider no more than once per calendar year a written request by at least 10 percent of the Regular and Special members of a county society to hold a mail or electronic ballot to retire the county society to inactive status. The Board shall make a determination based upon established Board policy whether such a ballot shall be conducted. If the Board approves the request, the Society shall send a mail or electronic ballot to all Regular and Special members of that county society. At least 25 percent of these ballots must be returned to the Society’s Executive Vice President, and a simple majority of the returned ballots is necessary before the Board will review the results and take appropriate action to change the status of the county society.

**Proposed Revision**

*Section 5. Inactive Status*

The Society’s Board may consider no more than once per calendar year a written request by at least 10 percent of the Regular and Special members of a county society to hold a mail or electronic ballot to retire the county society to inactive status. The Board shall make a determination based upon established Board policy whether such a ballot shall be conducted. If the Board approves the request, the Society shall send a mail or electronic ballot to all Regular and Special members of that county society. At least 25 percent of these ballots must be returned to the Society’s Executive Vice President, and a simple majority of the returned ballots is necessary before the Board will review the results and take appropriate action to change the status of the county society.

A county society will be declared inactive if it does not hold at least one business/planning meeting each calendar year. The Society’s Board will notify the county society in writing of a decision to place the county society on inactive status. Such notice shall be sent to the current President of the county society on record, with copies being sent to all known officers, delegates and alternate delegates of the county society. A county society will also be considered inactive if its charter has been suspended. If a county society becomes inactive, the Society shall no longer collect dues on its behalf. Once a county society is inactive for three years, its charter shall be revoked, the organization shall be formally disbanded and the entity shall dissolve and settle all financial commitments, including distribution of its assets, within sixty (60) days.

**Rationale**

<sup>5</sup> Wis. Stat. § 181.1601 (1)

<sup>6</sup> *The Sturgis Standard Code of Parliamentary Procedure*, page 198

<sup>7</sup> *Association Law Handbook*, Third Edition, Jerald A. Jacobs, 1996, page 126

<sup>8</sup> See IRS Form 990, Part VI, Questions 8(a)-(b)

1 The “inactive status” section set forth in the Society’s current Bylaws does not completely reflect the  
2 process currently used by the county societies to obtain “active status.” Additionally, the current Bylaws  
3 do not establish any minimum standards for a county society to remain active. It is important that the  
4 Society and county societies have a mutual understanding of any standards and processes related to the  
5 status of county societies. The language proposed provides clarity on these issues, is consistent with the  
6 Society’s operations and promotes the practice of good governance.  
7

8 Specifically the language proposed:

- 9 ○ Sets forth minimum meeting requirements for the county societies that are consistent with those  
10 of the Society. *See comments related to the proposed revision of Ch. V, Section 2 of the Bylaws.*
- 11 ○ Ensures that county societies are provided with proper notice before being considered “inactive.”
- 12 ○ Provides the Society with the ability to respond appropriately to a county society’s noncompliance  
13 by allowing the Society to designate a county society whose charter has been suspended as  
14 “inactive.” *See comments related to revision to Ch. V, Section 1 and Section 7 (New language) of*  
15 *the Bylaws for additional information on this issue.*
- 16 ○ Requires county societies that have been inactive for three years to dissolve and settle all their  
17 financial obligations within a set time period.
- 18 ○ Limits “inactive” status to three (3) years, which
  - 19 ▪ provides county societies with a reasonable amount of time to regain “active” status  
20 if so desired;
  - 21 ▪ ensures that non-operational county societies will not continue on eternally; and
  - 22 ▪ assures physicians that the dues and other funds collected by their county society, or  
23 on behalf of their county society, will be distributed appropriately and in a timely  
24 manner.
- 25 ○ Halts the collection of dues for county societies that are inactive or noncompliant with the charter  
26 agreement, which protects the financial interests of individual members who pay dues in  
27 exchange for membership in an active and accountable organization and preserves the integrity of  
28 the dues collection process. The discontinuation of dues collection for inactive or noncompliant  
29 county societies also demonstrates to the IRS and physician members, the Society's strong  
30 commitment to effective governance.

31  
32 • **Ch. V, Section 7 (Current language)**  
33

34 **Current Language**

35 *Section 7. Appeal Process for Membership Expulsions and Suspensions*

36 Any physician who feels aggrieved by his or her county society’s decision to suspend or expel him or her  
37 shall have the right to appeal the suspension or expulsion to the Board of Directors of the State Society,  
38 whose decision shall be final. A county society shall at all times be permitted to appeal or refer questions  
39 involving membership to the Board of the state society for final determination. The Board shall adopt  
40 procedures to implement this section.

41 *\*Note: Language from this section moved to Ch. I of the Bylaws—See Ch. I, Section 6.*  
42

43 **Proposed Revision**

44 ~~*Section 7. Appeal Process for Membership Expulsions and Suspensions*~~

45 ~~Any physician who feels aggrieved by his or her county society’s decision to suspend or expel him or her~~  
46 ~~shall have the right to appeal the suspension or expulsion to the Board of Directors of the State Society,~~  
47 ~~whose decision shall be final. A county society shall at all times be permitted to appeal or refer questions~~  
48 ~~involving membership to the Board of the state society for final determination. The Board shall adopt~~  
49 ~~procedures to implement this section.~~

50  
51 **Rationale**

52 Editorial change-language moved to Ch. I of the Bylaws. *See comments related to the proposed revision*  
53 *of Ch. I, Section 6 of the Bylaws for the rationale behind this revision.*

1 • **Ch. V, Section 7 (New language)**  
2  
3

4 **Proposed Revision**

5 Section 7. Suspension or Revocation of Charter

6 The Board may suspend or revoke the charter of any county society whose actions are in conflict with the  
7 letter or spirit of the Society’s Constitution and Bylaws, or has violated the charter agreement entered into with  
8 the Society. If a county society’s charter has been suspended, it will be considered inactive. A county society  
9 may reverse a suspension of its charter within one year by resolving the issues that led to the initial suspension  
10 of its charter. If the suspension is not remedied within the required time, and the county society has not  
11 received an extension from the Society’s Board to accomplish such, the suspension shall be converted to a  
12 revocation. Written notice of such action shall be mailed to the county society’s current President on record.  
13 Such notice shall be sent to the current President of the county society on record, with copies being sent to all  
14 known officers, delegates and alternate delegates of the county society.

15 Once a county society’s charter is revoked, the county society shall be formally disbanded and the county  
16 society shall dissolve and settle all financial commitments, including distribution of its assets, within sixty (60)  
17 days.

18 **Rationale**

19 For the chartering process to serve as a mechanism to ensure county societies operate in a manner  
20 consistent with Society’s policies and procedures, the Society must have the ability to respond to county  
21 societies that are not compliant. The ability to suspend or revoke a county society’s charter allows the  
22 Society to require compliance by the county societies. *See comments related to the proposed revisions to*  
23 *Ch. IV, Section 5H and Ch. V, Section 1 of the Bylaws for additional information on the implementation of*  
24 *an enforcement mechanism .Without such a mechanism, the Society, and potentially the county medical*  
25 *societies, would be exposed to risk. See attached chart for a more complete analysis of the potential*  
26 *exposure to risk for the Society and county societies.*

27 The Committee’s proposed revision provides:

- 28 ○ The Society with a mechanism to respond to a county society that is not complying with the
- 29 policies and procedures established by the Society.
- 30 ○ A sufficient amount of time (one year) for a county society whose charter has been suspended to
- 31 remedy any outstanding issues related to its charter before the suspension converts to a
- 32 revocation.

33 • **Ch. V, Section 8**  
34  
35

36 **Current Language**

37 No current language—new section

38 **Proposed Revision**

39 Section 8. Regaining Active Status

40 A county society deemed inactive by reason of not meeting annually, may regain active status within 3 years  
41 of being deemed inactive by submitting to the Society’s Board, for its review and approval, a request signed  
42 by at least 10% of the Society’s members who would be eligible for membership in the county society. The  
43 request must include: (1) a proposed constitution and bylaws for the county society requesting re-activation (2)  
44 a proposed meeting date for the re-activated county society and (3) a list of at least five (5) members willing to  
45 take on a leadership role with the re-activated county society. The Board shall review the request at its next  
46 regular meeting. The Board shall notify the county society, in writing, of its decision. Such notice shall be sent  
47 to the current President of the county society on record, with copies being sent to all known officers, delegates  
48 and alternate delegates of the county society.

49 A county society deemed inactive by reason of suspension or revocation of its charter may only regain active  
50 status by resolving all issues that led to the suspension or revocation to the satisfaction of the Board. The  
51

1 county society shall submit a written request to the Board requesting the suspension or revocation be  
2 terminated and the county society regain active status. The request shall outline the actions taken by the  
3 county society to resolve the issues that led to the suspension or revocation. The Board shall review the  
4 request at its next regular meeting. The Board shall notify the county society, in writing, of its decision.  
5 Such notice shall be sent to the current President of the county society on record, with copies being sent to  
6 all known officers, delegates and alternate delegates of the county society.

7  
8 If members of the State Society wish to organize in a county in which a previously organized county society  
9 has had its charter revoked, it shall apply to the Board of the State Society to be recognized and chartered as a  
10 county society. The application must include: (1) a proposed constitution and bylaws for the newly organized  
11 county society (2) a proposed meeting date for the newly organized county society and (3) a list of at least  
12 five (5) members willing to take on a leadership role with the newly organized county society. The Board shall  
13 review the application at its next regular meeting and if appropriate enter into a charter agreement with the  
14 newly organized county society.

15  
16 **Rationale**

17 Active county societies are vital to the vibrancy of the Society. As a result, the Committee elected to  
18 recommend the adoption of a section that:

- 19 ○ Allows inactive county societies to regain “active” status within a set time period (three years).  
20 *See comments related to the revision of Ch. V, Section 5 of the Bylaws for details on the three-*  
21 *year time limit.*
- 22 ○ Provides Society members with the opportunity to organize in a county in which a previous  
23 county society has had its charter revoked, ensuring that no county society would be lost forever.

24  
25 • **Ch. V, Section 9**

26  
27 **Current Language**

28 No current language—new section

29  
30 **Proposed Revision**

31 Section 9. Appeal Process for Charter Granting, Suspension or Revocation

32 Any county society that feels aggrieved by the Board’s decision regarding the granting, suspension, or  
33 revocation of its charter shall have the right to appeal the Board’s decision to the House. The appeal shall  
34 be made in writing, and mailed to the attention of the Society’s Executive Vice President/Chief Executive  
35 Officer, within thirty (30) days of the Board’s issuing of its decision. The House shall grant or deny the  
36 appeal on its merits. The decision of the House shall be final.

37  
38 **Rationale**

39 The Committee proposes adding the above language to ensure that:

- 40 ○ The Bylaws afford county societies with due process by bifurcating the decision making process;  
41 allowing any county society to appeal to the House any action taken by the Board related to its  
42 charter.
- 43 ○ The appeal process is clearly outlined.

44  
45 • **Ch. XII**

46  
47 **Current Language**

48 No current language—new chapter

49  
50 **Proposed Revision**

51 Chapter XII. Dissolution

52 The Society shall use its funds only to accomplish the objectives and purposes specified in these Bylaws and  
53 no part of said funds shall inure, or be distributed, to the members of the Society. Upon dissolution of the  
54  
55

1 Society, any funds remaining shall be distributed to one or more regularly organized and qualified charitable,  
2 educational, scientific, or philanthropic organizations to be elected by the Board of Directors. Any  
3 organization to which the remaining funds and property of the Society are to be conveyed must be exempt  
4 under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1954, as amended, or under any  
5 successors to the Sections of the Code, as they may be in effect at the time of conveyance.  
6

7 **Rationale**

8 Language regarding dissolution should be added to the Society's Bylaws for the following reasons:

- 9     o All organizations should make provisions for dissolution, especially if there is a possibility that  
10     the organization will acquire money and assets.<sup>9</sup>  
11     o Without procedures for dissolution and distribution of assets upon dissolution, disputes as to the  
12     ownership of the organization's property may arise.  
13     o The IRS has affirmed the importance of implementing such a procedure for nonprofits by  
14     requiring organizations seeking tax-exempt status as a 501(c)(3) to adopt a provision regarding  
15     disposition of its asset upon liquidation.<sup>10</sup>  
16     o The Society's Chief Financial Officer, Bob Foulks, strongly recommended the Society's  
17     governing documents be revised to address the issue of dissolution.  
18

19 **ACTION REQUESTED**

20 The Committee requests that (1) the Board review and recommend adoption of the Bylaws revisions  
21 presented above and (2) the House of Delegates adopt these revisions in accordance with Chapter XI of the  
22 Society's Bylaws at the 2010 annual meeting.

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<sup>9</sup> *A Guide to Wisconsin Non-Profit Associations*, Second Edition State Bar of Wisconsin CLE Books 2008, pages 21 and 33

<sup>10</sup> Treas. Reg. § 1.50(c)(3)-1(b)(4)

**IRS Form 990 Questions – Part VI**

9(a) Does the organization have local chapters, branches, or affiliates?

9(b) If “yes” does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?

Society Response

9(a). Yes, the Society has local affiliates.  
9(b). No.

Society Response

9(a). Yes, the Society has local affiliates.  
9(b). Yes.

Society strengthens its governance by:

- Creating charter agreements with all county medical societies (CMSs) in which they agree to follow certain policies and procedures.
- Society creates and Board approves model CMS bylaws
- Revising Society’s Constitution and Bylaws to comply with the IRS Form 990
- Developing and implementing appropriate policies including record retention policies
- Monitoring CMS compliance and respond appropriately to noncompliance

Society fails to strengthen its governance because proposed amendments to the Constitution and Bylaws fail and/or the Society fails to implement and follow appropriate policies and procedures, then the Society faces considerable risk.

The Society’s exposure to risk includes:

- IRS audits of the Society and all CMSs on a regular basis
- Costs associated with audits including expenses to the Society’s external audit and accounting firm
- Potential for loss of relationship with external audit and accounting firm because of perceived weaknesses in governance
- Potential loss of reputation and community standing, which could affect the Society’s ability to advance its mission and legislative agenda
- Potential risk of exposure to state scrutiny

- Society demonstrates effective governance
- Risk of audit is minimal as no red flags to suggest weaknesses in organization’s integrity
- Greater accountability to Society members as the parent organization of CMSs
- Accountants and auditors view the relationship as standard rather than risky
- Public reporting of IRS Form 990 will not subject the Society to disparagement as an entity with ineffective governance