



Local Chapter Mergers & Dissolutions

Introduction

The Quality Member Experience (QME) restructuring as part of the NAIFA 20/20 Strategic Plan provided a minimum standard for Local Chapters and required those who did not meet it to become Affiliates of their State Chapter. The intent of this change was to maximize member value and utility for their membership dollars by eliminating the governance structure for these groups and placing them under the leadership of the State Chapter, while at the same time empowering them to have local leaders that direct local networking opportunities and grassroots advocacy.

Since that initial change, several other Local Chapters have decided to merge with other Local Chapters or transition to becoming Affiliates for the benefit of their members. For those chapters that meet the minimum standards, this is a purely optional decision that is made based on the local need and weighing the costs and benefits.

Opportunities and Threats

Opportunities

1. By not having to maintain corporate status, IRS filings, insurance, management costs, and more, opportunities for cost savings are abundant.
2. Eliminate time-consuming board meetings and procedural requirements of governance.
3. More flexibility on volunteer structure and removal of a required minimum number of volunteers.
4. Dedicated funds can still be provided through the State Chapter budgeting process.
5. Entire focus becomes value delivery through advocacy, programming, and member engagement/networking.

Threats

1. Potentially difficult to recruit local volunteers due to less structure, prestigious titles, and perks of board status.
2. Perceived reduction of prestige due to being “downgraded” or fear of losing independence.
3. Reliant upon State Chapter budgeting for resources.

Merger or Dissolution Process

1. Decide if a Local Chapter will merge with the state association or dissolve. State laws governing association mergers and dissolutions vary. Consult with the appropriate state regulator or local counsel for information about rules in your state.
2. Contact your State Chapter to discuss your plan to merge or dissolve and obtain



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their consent and cooperation. At this point, general agreement on how remaining Chapter funds will be handled should take place. It is also a good idea to notify the Chapter Services Team at this juncture, as they can be helpful in providing guidance on this process.

3. Review your Chapter bylaws to determine any processes or procedures that must be followed for merger or dissolution. Your bylaws should clearly indicate whether this can be achieved by the Board or if a vote of the membership is necessary, as well as what percentage vote is required to enact the change.
4. Notify the members of the Chapter and hold the appropriate vote on the merger or dissolution. Then notify the State Chapter that the vote threshold has been met.
5. The State Chapter will then send a letter to the NAIFA VP of Member and Chapter Services (MACS), informing that the appropriate vote for merger or dissolution has been held by the Local Chapter; the State Chapter Board has approved the action; and officially requests final approval of the action.
6. Upon receipt of final approval from the VP of MACS, the Local Chapter will need to file any necessary state and federal government forms to notify the applicable parties of the merger or dissolution.

Administrative Details & Responsibilities

1. File a final federal Form 990, notifying the IRS of the merger or dissolution, and any comparable state form(s). If Form 990 has not been filed in the prior three years, tax-exempt status has likely already been revoked and no further filing is needed.
2. Consult with an accountant or tax professional if a final financial review or audit is required or appropriate.
3. Transfer to the State Association (or close) Local Chapter bank and investment accounts, as appropriate.
4. File any required 1099s, if applicable, and any comparable state form(s).
5. If the Local Chapter has an office, equipment, or storage space (leased or owned), determine how to dispose of or use the property and terminate the lease(s), as appropriate.
6. Terminate Local Chapter association insurance policies, if appropriate (e.g., general liability, D&O insurance, workers comp).
7. Local Chapters with employees may need to complete and file final federal and state employment forms, such as Form 941, unemployment tax returns, and W-2 forms and may need to terminate group insurance or retirement plans.

Need More Information?

For any additional assistance, please contact Justi Folladori, Director of Chapter Services, at jfolladori@naifa.org or 703-770-8410.