Psychiatric Rehabilitation Association and Psychiatric Rehabilitation Foundation Bylaws FAQ

Please respond by voting here by close of business, Thursday, December 19, 2013.

As a critical component of our effort to better deliver on our mission of growing and training the recovery workforce, the Board of Directors of the Psychiatric Rehabilitation Association (PRA) approved early this calendar year a series of strategic objectives, among which was to contemporize the overall structure of the organization to ensure full compliance with IRS regulations governing nonprofit organizations while better mirroring nonprofit best practices in the areas of structure and governance.

This result of this initiative has been a decision, recommended by counsel and approved by the Board of Directors, to incorporate a new 501(c)6 nonprofit organization (known as a “business league”) under the name of PRA, in which programs and activities involving membership, credentialing, component relations and advocacy activities will reside; and to place current and evolving programs and activities involving training, education, grantsmanship and public outreach under our already incorporated and IRS approved 501(c)3 nonprofit organization, to become the Psychiatric Rehabilitation Foundation (PRF). For all practical purposes, PRA and PRF will function as interrelated organizations that will have IRS permitted overlap in mission and governance but will have separate (but carefully aligned) bylaws and governance structures and will generate separate tax filings within distinct corporate entities.

As part of this process, the Board of Directors have met their responsibility to approve a new set of bylaws in order to establish the new 501(c)6 organization, which as stated will house our membership, credentialing, component relations and advocacy activities; what we therefore ask of our voting members is to approve the new set of 501(c)3 bylaws for the Foundation, which will ensure that the PRF can serve as our home for all training, education, grantsmanship and public outreach activities, while simultaneously ensuring compliance with IRS regulations and nonprofit best practices.

Why Do We Need Two Separate Organizations?

Put simply, PRA is involved in activities, including membership, credentialing and advocacy, which from an IRS perspective are most appropriately housed under a particular type of IRS tax exemption, that being a 501(c)6 “business league.” Indeed, one of the chief constraints on efforts by PRA to practice
active public policy advocacy (e.g., lobbying) has been restrictions placed on doing this under the auspices of a 501(c)3 “Foundation” framework, restrictions which are substantially relaxed by housing this activity within the business league framework.

Likewise, PRA is simultaneously undertaking activities which properly fall under a 501(c)3 “Foundation” framework, including training (e.g., the newly launched Academy for Psychiatric Rehabilitation & Wellness) education and our renewed efforts to pursue federal grants to help activate certain program activities, including public outreach programs to promote wellness and recovery.

Creating these separate organizations enables us broad latitude so that we may pursue programs which will help us grow and train the recovery workforce.

**Explain to me again ... what is the difference between a 501(c)3 “Foundation” and 501(c)6 “Business League”?**

Organizations that are organized exclusively for charitable, religious, scientific, literary, or educational purposes may be eligible for tax exemption under 501(c)(3). Contributions by individuals to 501(c)(3) organizations are tax-deductible. No substantial part of the organization’s activities can be for lobbying and the IRS very carefully scrutinizes both programs and revenue streams of Foundations to ensure they are in concert with the basis of their fully tax exempt status. The inclusion of both credentialing activities together with related training activities housed within a foundation structure is increasingly of concern to the IRS and nonprofit best practices increasingly separate these functions among differing entities.

501(c)6 organizations include nonprofit business leagues and organizations, which are associations of persons and/or organizations having a common business interest with a purpose to promote that common interest. Trade associations and professional societies are considered business leagues. The organization must be primarily engaged in activities or functions which validate the basis for its exemption (e.g., professional development, networking, and promoting a particularly trade, profession or industry), and be primarily supported by membership dues and other income from activities substantially related to its exempt purpose. These organizations typically promote higher business practices, better business methods, establish and maintain integrity within an industry and operate publications which benefit the industry. Some 501(c)(6) organizations have activities that are similar to 501(c)(3), such as educational programs, but are specifically geared toward promoting the business interests of companies or individuals. Contributions to 501(c)(6) organizations are not deductible as charitable contributions on the donor’s federal income tax return, but they may be deductible as trade or business expenses if ordinary and necessary in the conduct of the taxpayer’s business. There is no express limitation on the lobbying or other political activities of 501(c)(6) organizations.
So ... does this mean I’m a member of PRA and PRF?

No. PRA is a membership organization with due paying individuals and organizations and PRF is not ... instead, it’s a Foundation through which PRA will be delivering its training, education, grantstsmanship and public outreach activities. In this regard, it’s a “related entity” to PRA, though separately incorporated to be compliant with IRS regulations. Individual and organizational support of the PRF will be wholly tax deductible but it will not convey “membership”, but will instead convey “support” (think Goodwill Industries or a host of other “cause-based” foundations you may choose to deliver financial support).

Specifically, what are you asking me to approve?

The current PRA Board of Directors authorized (as is their duty) the incorporation of a new 501(c)6 business league, a component of which was to approve a new and contemporized set of bylaws, so this step has already been completed and does not require a member vote. Since the 501(c)3 entity will continue to exist but will be the new home for the Foundation, the membership must approve its bylaws found here. By approving these bylaws, we can then properly separate and house a broader array of programs and activities in their proper corporate entity while at the same time, updating our overall structure to achieve IRS compliance and governance best practices.

Among these enhancements are the following:

- Both sets of bylaws have been significantly streamlined and contemporized to enable the organization to govern with greater agility and pro-action, which is a key strategic objective. This will enable PRA and PRF to more rapidly and intelligently respond to market opportunities as well as competitive pressures. This includes:
  - Allowing for streamlined electronic voting and approval of amendments;
  - Clarification around when a membership vote is required to amend the bylaws, notably in areas of name change, change to mission, board structure and similar actions which carry broad impact; while enabling the Board of Directors to amend bylaws based on changes to the law governing nonprofits or in cases that will enable the organization to function with greater efficiency and responsiveness without going through a lengthy, cumbersome process;
  - In the case of the 501(c)6, altering the Board of Directors election process to have the membership vote on a slate of directors recommended by a Nominating Committee and approved by the Board for consideration by the membership; this replaces the current “popularity contest” where members select directors from a large pool of candidates, which has the unintended consequence of dissuading qualified candidates from participating in a process where only a small number among a pool of candidates will be publicly elected and the remainder “losing”.
  - In the case of the 501(c)3, a subset of the leadership of the related 501(c)6 will automatically become members of the (c)3 board, including the Immediate Past Chair of the (c)6, who will become the chair of the (c)3 when her/his term concludes. The Board of the (c)6 also approves the remaining Board members of the (c)3 to help ensure the
two organizations do not end up working at cross-purpose and are instead aligned in terms of goals and objectives for the “overall” entity.

How does this impact Chapters and our International Partners, if at all?

Chapters and our International Alliances are appropriately referenced in 501(c)6 bylaws under Affiliate Organizations, but specific structure is not specified in the Bylaws – at least not anymore. Given the need for flexibility in the structure of our Affiliate relationships as well as the “moving target” definition used by the IRS for organizations under group exemptions, and the fact that some of the chapters are already 501c3 organizations, the PRA Bylaws should not dictate the structure for other, separate but affiliated organizations. Instead, the bylaws convey intent of an overall cooperative and mutually beneficial relationship between PRA and its Affiliates, which provides us greater latitude to pursue both U.S.-based and non-U.S. based affiliations that are tailored to a higher degree to the unique needs of the relationship.

All in all, what does this mean for me as a voting member?

From an operational standpoint, these changes will enable PRA and PRF to achieve the following:

- Function with greater agility while being more responsive to you and our other stakeholders;
- Add a high degree of focus and intentionality around PRA’s advocacy operations, a critical interest to our organizational members;
- Enable pursuit of additional credentials to enable a stronger and better trained recovery workforce;
- Accelerate Academy rollout under a foundation framework, making our training and education a tax exempt service to members;
- Open an entirely new window to effective grantsmanship, which may help expand scholarships to needs-based persons, fund program activities which serve the public interest and better enable tax-exempt support from our stakeholders and other foundations.
- Pursue diverse new affiliations that are both geographic and skills/interest based.
- Allow us to pursue our business league mission of growing and training the recovery workforce while simultaneously pursuing our Foundation (or more public facing) mission of promoting wellness and recovery.

What’s the deadline for me to cast my vote?

Please respond by voting here by close of business, Thursday December 19, 2013. We want and need your active participation and vote and we respectfully request that you join your elected leadership in approving this exciting new structure.

Thank you!