Strategy & Structure

Q: What is the name of the 501(c)(6)?
Q: Why are we forming a 501(c)(6)?
Q: What is the difference between a 501(c)(3) organization and a 501(c)(6) organization?
Q: Why doesn’t certification fall under the educational aspect of being a 501(c)(3)?
Q: Are there any activities ASQ is doing today that do not fall under either 501(c)3 or 501(c)6 tax exemption?
Q: Why not convert all of ASQ into a 501(c)(6) entity?
Q: Does the 2017 “no change” letter from the IRS audit imply that ASQ 501(c)(3) tax structure could support future revenue growth from certification and organizational membership activities?
Q: Do our bylaws or articles of incorporation prohibit the Board of Directors from creating a 501(c)(6) or from selling certification and organizational membership assets?
Q: Did the decision to create ASQE require a member vote under the bylaws?
Q: Why do some organizations that offer certifications operate without a 501(c)(6)?
Q: Are we forming ASQE because we want to start lobbying?
Q: Did we form ASQE to avoid “private benefit” restrictions?
Q: Was the need for ASQ to create a 501(c)(6) reviewed by external experts?
Q: Is this just another part of “Transformation”?

Governance

Q: Who is appointing the ASQE board of directors?
Q: Will ASQ have board members on the ASQE board?
Q: Will ASQE have its own governance documents and board meetings?
Q: Will there be separate CEOs for both ASQ and ASQE?
Q: Will ASQ members be eligible to join the ASQE board or its committees?
Q: Can ASQ’s legal counsel perform services for both ASQ and ASQE?
Q: Why doesn’t the GCC have a board member on the ASQE board?
Q: Does the creation of ASQE impact the TCC or GCC?
Q: Will ASQE have its own version of the TCC or GCC?

Membership

Q: How will this bring member value?
Q: How will ASQE help grow ASQ membership?
Q: Is Individual Membership in ASQ or ASQE?
Q: Are ASQ organizational members now going to be members of ASQE?
Q: Will ASQE have its own membership and membership benefits?
Q: Do ASQ members have access to ASQE offerings? Is there an additional fee to do so?
Operations

Q: Do ASQE and ASQ share revenue?
Q: Will ASQE and ASQ share staff resources?
Q: How will global offices be impacted?
Q: Will ASQE have a presence at ASQ meetings and events like WCQI?
Q: Will there be two separate websites for the ASQ and ASQE?
Q: What happens to the ASQ certification board?
Q: Is there a new organizational member model coming from ASQE?

Strategy & Structure

Q: What is the name of the 501(c)(6)?
A: ASQExcellence, Inc., also recognized as ASQE.

Q: Why are we forming a 501(c)(6)?
A: ASQ is a 501(c)(3) tax-exempt entity. The formation of a 501(c)(6) organization stems from our business strategy. To maintain tax-exempt status as a 501(c)(3) organization, ASQ’s revenue from certification and organizational membership activities must remain within a certain threshold, which we are poised to surpass. Those revenue restraints do not exist for a 501(c)(6) entity. To allow the certification and organizational offerings to thrive and deliver greater member value, the new 501(c)(6) entity will house both activities.

Q: What is the difference between a 501(c)(3) organization and a 501(c)(6) organization?
A: A 501(c)(3) membership organization must be organized and operated exclusively for a charitable, religious, educational, or scientific purpose, and the primary beneficiary must be the public. A 501(c)(6) membership organization promotes a common business or trade interest, and the primary beneficiary must be an industry or a profession in general. The IRS restricts the activities of tax-exempt organizations based on their classification or type. In other words, 501(c)(3) and 501(c)(6) organizations each can engage in different types of revenue generating activities without incurring federal tax. To best execute their mission and maximize growth, many nonprofit membership organizations operate both a 501(c)(3) and a 501(c)(6) entity. IMA/ICMA are examples of complementary 501(c)(3) and 501(c)(6) organizations, with management accountants as part of IMA and IMA certification within ICMA.

Q: Why doesn’t certification fall under the educational aspect of being a 501(c)(3)?
A: The IRS has issued specific opinion letters confirming that certification activities fall under 501(c)(6) tax exemption because they advance a trade or industry profession as a whole. The IRS looks at the greater impact of certification, not the individual impact.

Q: Are there any activities ASQ is doing today that do not fall under either 501(c)3 or 501(c)6 tax exemption?
A: Any income generated from activities that do not further an exempt purpose of a tax-exempt organization, for either a 501(c)(3) or a 501(c)(6) entity, are subject to unrelated business income tax (UBIT), which typically is the federal corporate tax rate of 21%. UBIT generating activities are acceptable so long as the amount is an insubstantial percentage of ASQ’s overall revenue. Certain non-core activities, such as advertising and property rentals, do not further an exempt purpose, and the related revenue is subject to UBIT. Part of ASQ’s strategic planning process now involves a risk assessment of whether or not future activities support our tax-exempt purpose.
Q: Why not convert all of ASQ into a 501(c)(6) entity?
A: Our bylaws and articles of incorporation prevent us from transferring all of ASQ assets into a separate 501(c)(6) entity without dissolving the entire organization and its governance structure. Also, certain ASQ activities that advance individual membership would not be supported by 501(c)(6) tax exemption.

Q: Does the 2017 “no change” letter from the IRS audit imply that ASQ 501(c)(3) tax structure could support future revenue growth from certification and organizational membership activities?
A: No, the IRS audit covered the 2017 tax year only, and the scope was limited to the parameters established by the assigned IRS auditor. The audit did not examine future growth or threshold calculations for these areas beyond 2017. IRS audits are not forward looking. Strategic planning involves future risk assessment, and the Board of Directors determined that our certification growth opportunities in 2020 and beyond would exceed tax thresholds for a 501(c)(3) entity.

Q: Do our bylaws or articles of incorporation prohibit the Board of Directors from creating a 501(c)(6) or from selling certification and organizational membership assets?
A: Nothing in the bylaws or articles of incorporation prohibits the ASQ Board of Directors from approving the creation of new legal entities or selling the identified assets, so long as the transaction is arm’s length and at fair market value. In fact, failure by ASQ to restructure its certification and organizational activities would have violated the requirement to “preserve its tax-exempt status in accordance with the definition of Internal Revenue Code section 501(c)(3)” as mandated by Section 3.4 of the bylaws and Article IV of the articles of incorporation. Oversight and preservations of ASQ’s tax-exempt status is a fiduciary and legal responsibility of ASQ’s Board of Directors.

Q: Did the decision to create ASQE require a member vote under the bylaws?
A: No, the strategic decision to create ASQE did not impact or conflict with the member-only modifiable provisions of the bylaws, including Article 1.

Q: Why do some organizations that offer certifications operate without a 501(c)(6)?
A: It is possible that their certification revenue falls within the allowable IRS limits and is taxed at the for-profit rate or the organizations maintain a separate for-profit corporate entity. Most likely, if you review the incorporation and governance documents of those organizations, they have a separate 501(c)(6) entity.

Q: Are we forming ASQE because we want to start lobbying?
A: No, there are no plans to engage in lobbying, and lobbying was not a factor in the formation of ASQE. It is true, however, that 501(c)(6) organizations can engage in lobbying activities.

Q: Did we form ASQE to avoid “private benefit” restrictions?
A: There have been allegations that ASQ formed ASQE to avoid “private benefit” restrictions. These allegations are completely false, and private benefit was not a factor in the establishment of ASQE. 501(c)(3) entities must be organized exclusively for a qualifying exempt purpose. An organization will fail this requirement if it confers private benefits upon an individual that are more than incidental to the furthering of its exempt purpose. It is true that the private benefit standard does not apply beyond 501(c)(3) entities, however similar restrictions apply to 501(c)(6) entities. Specifically, a 501(c)(6) organization cannot be operated for the profit of its individual members or
engage in business of a kind ordinarily carried on for profit. For example, ASQE, as a 501(c)(6), cannot engage in quality consulting work.

Q: Was the need for ASQ to create a 501(c)(6) reviewed by external experts?
A: Yes, ASQ began research and diligence regarding the creation of a 501(c)(6) entity to support our business strategy in January of 2019. External tax and legal experts, including our independent auditors, vetted and agreed with the need to create a 501(c)(6).

Q: Is this just another part of “Transformation”?
A: The creation of ASQE is driven by future certification and organizational membership activities and is unrelated to TCC and GCC “transformation.”

Governance

Q: Who is appointing the ASQE board of directors?
A: The officers of the ASQ board of directors appointed the initial ASQE board members so that ASQE had functional officers to conduct business. The ASQE board then approved its own bylaws and will appoint additional board members consistent with the bylaws. There are four ASQE board members at this time.

Q: Will ASQ have board members on the ASQE board?
A: Yes, the ASQE bylaws state that at least two ASQ board members will serve on the ASQE board to ensure strategic alignment and collaboration between the organizations. The two board members are the ASQ Past Chair and a TCC liaison. The TCC liaison will help align technical community content with member needs. The ASQ CEO also serves as a non-voting member of the ASQE board.

Q: Will ASQE have its own governance documents and board meetings?
A: Yes, ASQE has its own governance documents, including articles of incorporation and bylaws and will have meetings consistent with its bylaws.

Q: Will there be separate CEOs for both ASQ and ASQE?
A: Both are legally required to have separate CEOs or a staff leadership equivalent.

Q: Will ASQ members be eligible to join the ASQE board or its committees?
A: Any ASQ member who meets the eligibility requirements of the ASQE bylaws and any supporting policy may be considered for the ASQE board or its committees.

Q: Can ASQ’s legal counsel perform services for both ASQ and ASQE?
A: Legal is a shared service like human resources or information technology, unless there is a direct conflict between the entities. In the event of a direct conflict, ASQE will be represented by separate, independent counsel to resolve the matter. For example, ASQE retained separate legal counsel to represent and advise the ASQE board on the asset purchase agreement between ASQ and ASQE.

Q: Why doesn’t the GCC have a board member on the ASQE board?
A: There is no connection between the geographic communities and technical content development required to support ASQE. However, any GCC member who meets the eligibility requirements of the ASQE bylaws and any supporting policy may apply for the ASQE board.

Q: Does the creation of ASQE impact the TCC or GCC?

ASQ/ASQE Frequently Asked Questions
A: No. The member units will continue to be a part of ASQ and operate as the same as before.

Q: Will ASQE have its own version of the TCC or GCC?
A: No, there are no member units in ASQE.

Membership

Q: How will this bring member value?
A: ASQE will be able to expand certification offerings, which drives individual members to join ASQ and will provide opportunities for additional subject matter expert contributions.

Q: How will ASQE help grow ASQ membership?
A: As part of ASQE’s new organizational membership model (currently under development), organizational membership will include individual memberships for a select number of employees, who will join ASQ as a Professional level member. This will increase the number of individual members for ASQ, as well as increase potential for them to become active in the TCC, GCC and other ASQ committees.

Q: Is Individual Membership in ASQ or ASQE?
A: Individual Membership remains in ASQ.

Q: Are ASQ organizational members now going to be members of ASQE?
A: Yes. There will also be organizational member representation on the board of ASQE.

Q: Will ASQE have its own membership and membership benefits?
A: Yes, ASQE will have organizational membership.

Q: Do ASQ members have access to ASQE offerings? Is there an additional fee to do so?
A: Yes, ASQ members will have access, and at no additional fee.

Operations

Q: Do ASQE and ASQ share revenue?
A: ASQ and ASQE are two separate legal entities and cannot share revenue.

Q: Will ASQ and ASQE share staff resources?
A: There will be shared resources and services like human resources, legal, information technologies, customer care, finance, marketing, events, etc., that will be provided by ASQ to ASQE. ASQE will pay ASQ for those services.

Q: How will global offices be impacted?
A: Global offices operate under separate legal entities and are wholly owned by ASQ. The global legal entities were not included or impacted by the transaction between ASQ and ASQE. Global strategy for ASQE will be examined in the future, particularly certification activities in China and other regions.

Q: Will ASQE have a presence at ASQ meetings and events like WCQI?
A: Yes, both ASQ and ASQE will jointly participate in events like WCQI, the Quality 4.0 Summit, and others.
**Q:** Will there be two separate websites for the ASQ and ASQE?
**A:** No, we will have pages for ASQE on asq.org.

**Q:** What happens to the ASQ certification board?
**A:** The prior ASQ certification board was transferred to ASQE and renamed the Certification Council. Its functions and responsibilities remain unchanged.

**Q:** Is there a new organizational member model coming from ASQE?
**A:** Yes. Stayed tuned for the introduction of a new organizational membership model at WCQI in May 2020.