



FULFILLING OUR PROMISES
TO THE MEN AND WOMEN WHO SERVED

NONPROFIT ADVISOR

For DAV Departments and Chapters

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FEDERAL CHARTERS: WHAT DO THEY MEAN?

Part One

DAV is one of a handful (roughly 100) of organizations that have been granted a “federal” or “Congressional” charter. This concept is somewhat puzzling to the public and sometimes even mystifies government officials. In this and the next issue of the *Nonprofit Advisor*, we will clarify this somewhat arcane concept.

Who came up with the idea of a “federal charter”?

The federal charter as it exists in the United States appears to be a direct descendant of the so-called European “royal charter.” The earliest known charters date back to the medieval period (i.e., 800 A.D. - 1400 A.D.) and were used by monarchs to create towns and important institutions such as colleges and universities.

Royal charters gained special popularity in Great Britain and Scotland. In those countries, the medieval uses of the charter were somewhat expanded. Some charters were granted simply for the creation of necessary institutions, such as the British East India Company. However, some were granted to honor existing institutions and to acknowledge their “pre-eminence, stability and permanence.”

The varied uses of the royal charter made their way into the practices of the earliest American colonies. One of the first charters issued on our shores dates back to 1639 and was promulgated by an “Act of the Great and General Court of the Massachusetts Bay Colony.” That

charter created Harvard College, now Harvard University.

What is the purpose of the “federal” or “Congressional” charter as we know it?

The practice of the chartering by Congress of patriotic, charitable and other organizations of civic value was most prominent in the middle third of the last century. Typically, the chartered organizations originally existed as state corporations (or unincorporated associations) and subsequently sought the Congressional recognition. This was the case, for example, with DAV. Founded a dozen years before the grant of its federal charter in 1932, the organization had been incorporated in Ohio. That incorporation was superseded by the Congressional enactment, which was signed into law by President Herbert Hoover on June 17, 1932. It has been amended on a few occasions over the years, but, in essence, remains very much as originally enacted.

There is no “one” purpose for a Congressional charter. Given the early recipients of the charters (the major veterans organizations, Boy Scouts, Girl Scouts, Little League Baseball), it is clear that Congress intended to reserve the status for important and unique entities. Indeed, in 1965, President Johnson vetoed a bill to grant a charter to a civic affairs group and complained that “Federal charters should be granted, if at all, only on a selective basis and . . . they should meet some national



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interest standard.” Unfortunately, by this time, the significance of a charter had been somewhat diluted. Organizations were seeking charters in part because of the Congressional “approval” that they seemed to connote. Such approval could often be translated, even indirectly, into a financial benefit.

Five years later, the House and Senate agreed to a joint statement of policy under which federal charters were to be reserved to organizations “organized and operated for the primary purpose of conducting activities which are of national scope and responsive to a national need.” The result of this has been a dramatic decline in the number of newly-issued charters.

How and why would a charter ever be amended?

It is difficult to amend a federal charter. It requires – literally – an Act of Congress. Typically, an amendment is made so that the charter more accurately reflects the character of the organization. For example, as originally chartered in 1932, DAV was named “Disabled American

Veterans of the World War.” Geopolitical circumstances changed rapidly in the next decade, so that in 1942 President Franklin Roosevelt signed into law an amendment to the DAV charter changing the name of the organization to “Disabled American Veterans.”

What about the current amendment to DAV’s charter?

The current (proposed) amendment to the DAV charter is intended to reflect clearly two undeniable facts. One is that the organization’s charitable activities now dwarf everything else it does. The other is that DAV has long been the primary institution educating the American people about the sacrifices and needs of disabled veterans.

Is there, then, no legal significance to the charter?

The question of federal chartering has given rise to numerous legal issues over the years. Some of those will be explored in the next edition of our newsletter.

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