Vote with Your Mission

BY LESLIE HATAMIYA, CAMPAIGN COORDINATOR, CALNONPROFITS

Nonprofit staff and volunteers are a powerful voting segment, and we invite all our members to join the Vote with Your Mission campaign! With the launch of this campaign on May 1, we’re marshalling the hundreds of thousands of nonprofit staff and volunteers to vote with the same values that bring us into the nonprofit sector.

More than 80 nonprofits have signed on in just the first two weeks. To sign on, you pledge to do just two or more of the six action items, including:

- Make nonpartisan voting materials available to your staff and volunteers.
- If you have a document such as “board member responsibilities,” add “Board members will vote in every election while they are on the board.”
- Display a Vote with Your Mission poster in English, Spanish and/or Chinese.

Once you sign on, you’ll receive a campaign kit with tips and resources for participating in the campaign, including a set of “frequently asked legal questions” about nonprofits’ role in elections.

“Supporting nonpartisan voter engagement and educating our community about the importance of voting are legitimate – and important – charitable purposes,” said Linda Davis, chairperson of CalNonprofits’ board of directors and chief executive officer of the Center for Volunteer and Nonprofit Leadership of Marin, one of the first organizations to sign on to the campaign. “We hope Vote with Your Mission will ignite a strong sense of civic engagement and duty within the nonprofit community. I urge all California nonprofits to sign on to Vote with Your Mission.”

For more information and to sign on, go to votewithyourmission.org or email campaign coordinator, Leslie Hatamiya at leslieh@calnonprofits.org.

We connect you to our community

Sign up for our email newsletter. www.calnonprofits.org/newsletter
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100% of the people who work or volunteer in health care voted, we would have better health care policies. If 100% of the people who work and volunteer in environmental causes voted, we would have better environmental policies.

Already more than 80 California nonprofits have signed onto the campaign, including many members who joined pre-launch to help us kick it off right. Plus, we’ve generated a lot of buzz! See page 1 for more from Leslie Hatamiya, our campaign coordinator, and learn how easy it is to sign on.

• I’ve been meeting with groups of nonprofits around the state, including meet-ups in Sacramento, Crescent City, Arcata, Los Angeles, Santa Barbara, Santa Ana, Salinas, San Mateo, and San Diego. There are too many good, nuanced ideas to mention here, but one thing has come across loud and clear: nonprofits have never needed a voice to government and philanthropy more than we do today. If you would like me to come visit your community or your coalition’s conference, please don’t hesitate to let me know (jamn@calnonprofits.org).

• New member benefits: It’s great to see so many CalNonprofits members taking advantage of our insurance access, conference call discounts, background check discounts, and Office Depot discounts. And 100 members got free vouchers to e-learning courses from Cornerstone, which were made available to the first 100 members who responded to the e-newsletter announcement. If you’re not already subscribed to the e-newsletter, please visit calnonprofits.org/newsletter, and subscribe as many of your staff and board members as you like as well.

• Flo Green: As many of you know, long-time executive director and board chair of CalNonprofits, Flo Green, passed away on May 9, 2012, following a massive stroke. As founding board chair and then executive director for many years, Flo led the organization from 10 members to one with 1,500 members. She was relentless in advocating for nonprofits in the legislature, and key to elements in many bills, including the California Nonprofit Integrity Act.

I knew Flo first as a consultant, and I must have recommended her to dozens of nonprofits. Flo led the California Association of Nonprofits through its first years as it formed its programs and membership base. She co-founded the National Council of Nonprofits, and I often heard her speak at conferences and meetings, always knocking my socks off with her rough-and-ready insights and her sharp humor. There are few people who have done more than Flo to shape California’s nonprofit sector, and there is no one who has done more to defend and champion community-based organizations. Thank you, Flo.

There will be a memorial service on June 23 in Los Angeles. You can find out more at http://www.forevermissed.com/flo-green/#about. Contributions can be made in Flo’s name to Planned Parenthood of Los Angeles, Shoes That Fit, and Talking About Curing Autism.
Outside of the headlines, there is another world of public policy where dozens of decisions and laws are made, each one seeming small or mundane, but adding up to real differences in making life easier or harder for California nonprofits.

Case in point: Legislators right now are looking at bills in Sacramento that we at CalNonprofits are tracking, and we want to hear from you if you’re working on them as well:

1. **Two bills requiring nonprofits to have hugely increased training of volunteers and staff on child abuse and another requiring nonprofits to have additional insurance for children’s programs held on government property (such as a nonprofit operating an after-school program at a public school):**

   **AB 1564 (Ricardo Lara, D-Bell Gardens)** – Triggered by scandal that rocked Los Angeles schools, this bill would strip a nonprofit of its tax exempt status if a “mandated reporter”— a professional or volunteer within the organization — is convicted of failing to report an incident of child sexual abuse.

   **AB 1628 (Jim Beall, D-San Jose)** – If your nonprofit uses public property for children’s programs, this bill would require enhanced background checks on employee or “any representative” who interacts with children “on a regular basis” and up to $1 million of insurance against claims of child abuse or neglect that might arise when you use public property.

   **How we see it:** We agree with the Independent Private Schools of California that AB 1564 (the first of the two above) would cause worthy nonprofits to lose their tax-exempt status because it simply isn’t feasible to train all the staff and volunteers to a level at which teachers and medical professionals are. Imagine if one PTA volunteer failed to recognize evidence of child abuse and as a result, didn’t report it . . . should the PTA lose its tax exempt status?

   We agree with the Assembly Public Safety Committee that enhanced background checks – which are often incomplete and unreliable - and the insurance mandates in AB 1628 do nothing to actually protect children and should be dropped.

2. **Efforts to streamline government-nonprofit contracting and reporting**

   Despite government reliance on nonprofits to provide essential services, governments place compliance burdens on nonprofits undercut the efficiency of that relationship. A recent study noted “compliance costs are clearly regressive with small nonprofits bearing a significantly higher burden.”

   To ease those burdens – and the troubles they can cause – three bills have been introduced this year:

   **AB 2641 (Nancy Skinner, D-Berkeley)** – After constituents from a small nonprofit in her district complained they were struggling with state red tape, Assembly Member Skinner introduced this bill to require the Governor’s Office — continued on page 4
of Business and Economic Development to post links to filings and reports needed to obtain and maintain nonprofit status.

**AB 1677 (Brian Nestande, R-Riverside)** – Following up on recent changes in IRS reporting thresholds, the state’s thousands of nonprofits with gross annual receipts of $50,000 or less would be exempted by this bill from filing Form 199-N with CA Franchise Tax Board and paying a $10 filing fee.

**SB 1341 (Lois Wolk, D-Davis)** – Under provisions of this bill, nonprofits that fail to meet filing deadlines with the Franchise Tax Board would be treated with greater leniency than under current law, which imposes on violators the state minimum corporate tax of $800/year and revokes their tax-exempt status without any written advance notice.

**How we see it**: We’ve been working with the staff of all three of these legislators to develop these bills to ensure that they are as effective and simple as possible. We invite CalNonprofits members to join with us in endorsing AB 1677 and SB 1341 and improving AB 2641.

3 **Strengthening the hand of the Attorney General to crack down on flagrant violations of the Nonprofit Integrity Act:**

**AB 2327 (Mike Feuer, D-West Hollywood)** – This bill gives the State Attorney General the ability to use cease-and-desist orders to stop flagrant violations by nonprofits and commercial fundraisers.

**How we see it**: It’s been eight years since California’s landmark “Nonprofit Integrity Act” was enacted to enhance oversight and governance. This bill is a starting point for updating and strengthening the Act. The author says he wants to make AB 2327 broader and stronger as it moves through the Legislature. We’re working with him to identify the best ideas. Please send us yours.

4 **Are you frustrated by funders who make you jump through hoops that are out of touch with the reality of your organization and your community? A coalition of organizations in Southern California thought so and pulled together to propose this bill to do something about it.**

**AB 2268 (Mike Eng, D-Monterey Park)** – The Asian and Pacific Islanders California Action Network requested this bill after finding that “regional and/or place-based approaches for education, health, and human services planning and resource allocation” widely used by government funders in recent years “…have had mixed results in terms of desired outcomes such as reduction of poverty and economic revitalization of targeted neighborhoods.” To correct that problem, this bill requires state and local agencies that fund community based organizations to take into account that many communities are defined by cultural affinity, not geography, and to develop grant and contact guidelines accordingly.

**How we see it**: We agree with the Network and other supporters such as Black Women’s Health Network and Equality California “that community groups such as ethnic populations, the disabled, veterans, and LGBTs, often do not register as statistically significant within a pre-defined place based area or service planning boundary” and funders should be flexible in their approaches to funding community-based organizations.

...and lots more.

These bills are just a sample. There are more worth watching and acting upon. Most of the more than 2000 bills introduced this year will not reach the governor’s desk for final action until late summer, so we have between now and then to get involved.

Check out the advocacy pages on our redesigned website coming soon and sign up for the next Legislative Briefing Webinar for California Nonprofits. Join us in making our state’s public policy processes work for California’s nonprofits.

And please contact me – Ken Larsen at kenl@calnonprofits.org – with your thoughts and how we can help your nonprofit advocate on any of these issues.

Ken Larsen
Public Policy Director
How Grantmakers can Support a Resilient & Strong Nonprofit Sector

BY KATHLEEN P. ENRIGHT, PRESIDENT & CEO, GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

Grantmakers for Effective Organizations (GEO) is a coalition (“affinity group”) of foundations interested in strengthening nonprofit organizations. (Shouldn’t all foundations be interested in doing so?) Kathleen Enright, the president of GEO, issues a challenge to grantmakers for “smarter grantmaking.” Share it with your own funders!

Many nonprofits have been hollowed out by accepting funds that are too rigidly restricted or do not cover the full cost of programs, operations or overhead. For that reason, GEO has been advancing a change agenda with the ultimate goal of making philanthropy smarter so that nonprofits can grow stronger and deliver better results in communities. Yet change is coming slower than we’d like.

Every three years, GEO takes a snapshot of funder practices that we know from our research are connected to nonprofit success. Our 2008 survey revealed a persistent gap between nonprofit needs and grantmaker practices, with foundations making slow progress on adopting the practices that they and their grantees say are essential to supporting nonprofit health and vitality.

Though our 2011 National Study of Philanthropic Practice reveals pockets of progress, broad scale social change remains elusive. On the whole, general operating support remained static, evaluation remains predominantly an exercise in accountability rather than learning and most grantmakers do not seek input on strategy or specific proposals from grantees or recipient communities.

This lack of field wide progress is disappointing to be sure. However, I see this as a critical opportunity for the field to focus on areas where they do have the power to make changes to better serve grantees and recipient communities and to invest grant dollars more effectively. These changes are not short-term fixes but part of how grantmakers must operate if we hope to do our part in building a resilient, strong nonprofit sector in 2012 and beyond.

I challenge grantmakers to embrace the following recommendations for smarter grantmaking:

1. We have the power to change the way we give grants. In this uncertain economic environment, nonprofits are strapped by short-term, program restricted funding and the fact that many foundations are reducing their giving. Grantmakers can help nonprofits grow stronger if they:

a. Provide flexible funding: Resilience requires the ability to adapt. Grantmakers who increase the amount of dollars given as general operating support provide working capital, they support innovation and adaptability, they help to build rainy day funds against the unexpected and, more practically, they help pay the rent, keep the lights on, and hire and train staff.

b. Increase multiyear support: Giving multiyear support of two years or longer can help nonprofits plan with more certainty and create long-term stability.

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2. We have the power to change how we relate to others. Given the scale and complexity of the challenges we face, it is clear that no grantmaker alone has the resources and reach required to address our society’s most pressing and intractable problems. What can funders do to achieve greater impact?

a. **Cultivate empathy**: Grantmakers that foster deeper connections and are able to tap the wisdom of grantees and representatives from recipient communities get a clearer picture of what is happening in the communities that are the focus of their work. Those connections not only equip them to make better decisions, but they help build the trusting relationships required to engage in complex, long-term work together.

b. **Learn collectively**: Learning together with grantees and community members builds more collective knowledge, fosters a useful exchange between the foundation and grantees and helps strengthen future grantmaking.

c. **Collaborate for greater impact**: The only way for philanthropy’s response to match the complexity of the issues we hope to address is if we consciously shift the focus away from our individual interests and resources and instead look at how best to solve problems in combination with others. By supporting networks, focusing on collective action, being willing to follow as well as lead, and bridging diverse perspectives on the ground, grantmakers will start to play a more vital role in creating positive change.

Kathleen P. Enright is president and CEO of Grantmakers for Effective Organizations (www.geofunders.org), a community of more than 370 grantmaking organizations committed to improving the effectiveness of their nonprofit grantees.
Tidbits from April’s IRS Workshop

BY TOM SCOTT, INTERIM EXECUTIVE DIRECTOR, SANDAN

Now I have over 18 years as an Executive Director and another 6 years as a nonprofit board member. I thought I “knew it all.” However, I learned some things and was reminded of some things today that I wanted to share.

Charitable Contribution Donor Acknowledgement

Donors must have a record of all contributions that they claim on their 1040 in the form of a bank record or acknowledgement from the nonprofit. If your organization accepts cash donations, you should be prepared to provide a receipt. For example, I prefer to give the Girl Scouts $10 rather than buy cookies or even donate to Operation Thin Mint. I want the Girl Scouts to have all of my $10, not the part the cookie company will let them keep. Unfortunately for me, they don’t have receipts for cash donations. The same is true for the door-to-door sales by children from the local elementary school. Lesson learned: good donor stewardship today requires acknowledgments for the smallest donations, not just those over $250 that we are required to send.

They have been tightening up the documentation needed by donors and nonprofits for charitable contributions. Nonprofits face penalties if they fail to properly acknowledge quid pro quo donations of $75 or more. Anytime that a donor receives something of significant value, e.g. a dinner in return for their donation, they must be given a written acknowledgement that includes the total amount received and the Fair Market Value (determined by the nonprofit) of the dinner. The fair market value is not the cost of the item to the nonprofit, but a good faith estimate of what it would cost if the donor had to purchase it directly.

For more information, download Publication 1771, Charitable Organizations: Substantiation and Disclosure Requirements

Employees vs Independent Contractors

There is increasing enforcement of the correct classification of Employees and Independent Contractors. The State of California is even more concerned about this. If your organization uses independent contractors to provide services on your behalf, please review the requirements for independent contractors to make sure they cannot be classified as an employee by an auditor from the IRS or State. If your organization contracts with someone to provide services and you are that person’s primary source of income, you should seek advice from an attorney or accountant. You are subject to recovery of back employer contributions for social security, medicare and workers compensation and penalties if found to have misclassified as an independent contractor.

Public Inspection

Anyone has the right to request to see your Form 1023 Application for Exemption and the last three Form 990s that you filed. They do not have to identify themselves or say why they want to see the form. The disclosure applies to all schedules and attachments filed with the documents. The only exceptions are that you can black out the names of the donors on Schedule B but not the amounts listed. You can also redact (black out) any trade secrets. There are stiff penalties for failing to make these available in a timely fashion. A best practice today is to post these documents on your website.

Small Business Health Care Tax Credit for Small Employers

Small nonprofit organizations can receive a check from the IRS for providing health insurance to their staff. It applies to nonprofits:

• With fewer than 25 full-time equivalent employees
• That pays an average wage of less than $50,000 a year
• And pays at least half of employee health insurance premiums

For tax years 2010 through 2013, the maximum credit is 25 percent of the health insurance payments for small tax-exempt employers. An enhanced version of the credit will be effective beginning January 1, 2014.

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To claim the credit you must use Form 8941, Credit for Small Employer Health Insurance Premiums, to calculate the credit. You then include it on line 44f of the Form 990-T, Exempt Organization Business Income Tax Return. You must file the Form 990-T in order to claim the credit, even if you don’t ordinarily do so.

Nonprofits that did not claim this credit for 2010 may file an amended return.

To learn more, visit: www.irs.gov/newsroom

New Information Resources
The IRS has beefed up the online information resources to help nonprofits “Stay Exempt.” Their new StayExempt.irs.gov website includes information, webinars and links for new and existing nonprofits.

The IRS giveth our exemption and can taketh away the exemption as well. All nonprofit organizations need to pay attention to the requirements. The good news is that they understand the burdens and the Exempt Organizations staff want to be helpful to this sector that serves so selflessly.

Tom Scott
Interim Executive Director
SANDAN