Dear Members and Friends:

We’ve all seen those ads in magazines where cities try to get you to come live there. They point out their parks, museums, theatres, universities, wilderness areas, and excellent hospitals. But have you noticed that most of what they are pointing to is the work of nonprofits?

These ads are just another way that nonprofits are hidden in plain sight. People know nonprofits — but not as nonprofits. They know us as their church, their Girl Scouts troop, their local food bank, the university, Sesame Street, the place where I’m a volunteer dog walker, the legal center that helped me with my immigration papers, and as Wikipedia.

So in everything we do, we at CalNonprofits remind people that our nonprofit community affects all of us every day — and that we can be an even more unified and powerful force than we already are.

When Assemblyman Rich Gordon (former executive director of Youth and Family Assistance) invited his colleagues for a briefing on California’s nonprofit community, everyone was astonished that 17 legislators joined him for a breakfast briefing with our policy advocate Jennifer Fearing and me. Even the legislators were saying, “How did you get so many of us to come? This is amazing!”

One of the research findings from Causes Count that particularly interested the legislators was that California nonprofits bring $40 billion into California each year.

Here are some of the things we’re currently working on:

- The Nonprofit Overhead Project is in full swing with eight workshops and webinars coming up to help nonprofits manage their accounting for...
Letter from Our CEO, continued from page 1

overhead and improve their overhead recovery. We’ve just completed five focus groups around the state and are working with government agencies and foundations to improve overhead funding to nonprofits. And the NOP website launches August 24 with loads of resources and debate. Some unique features of the Nonprofit Overhead Project include workshops on whether/how to get a negotiated federal indirect cost rate, open meetings with OMB representative Gil Tran, working in Sacramento with policymakers, and an upcoming research project.

► It’s David vs. Goliath as we struggle to defeat a bill in the California State Senate to give exemptions from the raffle law specifically and only to nonprofits that are subsidiaries of major league sports teams. Why should the National Football League team be allowed to hold 50/50 raffles while all nonprofits are held to 90/10? (90/10 means that 90% of all raffle income must go to the nonprofit). We’ve been surprised at how much attention this issue has received, with articles in the Los Angeles Times and the Sacramento Bee; an interview with our policy director Nancy Berlin on the CBS TV affiliate in Los Angeles, and more. See the “CalNonprofits in the News” page of our website for these stories and others.

► Walking the halls: In the last month, our Sacramento Advocate Jennifer Fearing has visited in-person the offices of more than 30 legislators, testified at minimum wage hearings, met with the Attorney General’s office on changing definitions of “fundraising counsel,” and served as a whirlwind of messaging to policymakers about the importance of the nonprofit community.

► As one reflection of the work Jennifer’s done along with policy director Nancy Berlin and many of our high profile board members, we’ve been invited to speak with the State Treasurer’s office about nonprofit employers and retirement plans. We nonprofits don’t always get invited to the table, but we’re pleased to be recognized along with small business, big business, and labor in these discussions.

I’ll be at both the Stronger Together conference in Los Angeles on August 24th and at our own policy convention in November in Oakland, and I hope you’ll come up and meet me along with other CalNonprofits staff and board members. I am especially excited about the convention’s theme: An Economic and Political Forecast for California’s Nonprofits.

See you at both events!

Jan Masaoka
CEO, CalNonprofits
janm@calnonprofits.org
We recap the highlights for you below. Decide which of the above two viewpoints you agree with more!

One of CalNonprofits’ priorities made it into the budget: the creation of a state Earned Income Tax Credit (EITC) for low and middle-income families in California so that they can keep more of what they earn. The credit will lift incomes for approximately 825,000 low-income California workers; it’s an effective policy tool for reducing poverty and for improving the communities where our member organizations work and live. We were pleased to work with United Ways of California and other nonprofits in the promotion of the EITC.

The arts got a big win, with $8.3 million allocated for the California Arts Council, where our member organizations work and live. We were pleased to work with Effective policy tool for reducing poverty and for improving the communities where our member organizations work and live. We were pleased to work with United Ways of California and other nonprofits in the promotion of the EITC.

Beyond that, it’s not so easy to figure out what values are reflected in this year’s budget. More highlights:

► Childcare and preschool: Increased funds for state-funded childcare and preschool, but the Legislature originally wanted to create twice as many slots.

► State colleges and universities: Increased funds for California’s public universities, but in return, they must increase in-state enrollment.

► Healthcare: $40 million for healthcare for children in low-income families, regardless of immigration status. California is the largest state to offer this coverage through the Medi-Cal program. But NOT included: $82 million to raise payments to doctors, dentists and providers in Medi-Cal, which will instead be considered during a special session on health care funding.

► Seniors and people with disabilities: The budget conference committee’s proposed $10 per month grant increase to low-income seniors and people with disabilities did not make it into the final budget.

So, California nonprofits: what’s your take on this budget? We want to hear from you! Contact us at NancyB@CalNonprofits.org.

We need you to nominate our next Member Spotlight! All of our members are special. But in a new quarterly Member Spotlight feature, we plan to highlight the work of an organization whose work is particularly interesting and inspiring. What are you doing that other nonprofits want to hear about? Can you nominate a fellow nonprofit that you think would be a good candidate for the Member Spotlight in the next issue of Buzz? Let us know! Email our Membership Manager Christina Dragonetti with your ideas, at ChristinaD@CalNonprofits.org.
Have you seen our new California Legislation Tracker?

Let’s say you want to know about AB 871, which would change the dates on which nonprofit required forms are due. If you simply want an overview, our new Legislation Tracker gives you a brief description, letting you know that this law would change the due date for filing the Statement of Information from the date a nonprofit was formed to May 15th of each year. Going a little deeper, you might want to click on the Tracker’s SUPPORT link to see why CalNonprofits thinks this will benefit nonprofits. And if you want to follow the bill’s progress, just check the STATUS column and see that the bill has been referred to the Appropriations Committee.

The new CalNonprofits Legislation Tracker provides up-to-the-minute information about bills that affect the nonprofit sector in California, including descriptions of issues and legislation, CalNonprofits’ statement of support or opposition, and the current status of each bill.

Our sector’s strength and impact is making our collective voice heard more than ever before — and the Legislation Tracker provides an easy and accessible way to follow CalNonprofits’ advocacy activity on behalf of California nonprofits.

Through policy advocacy, CalNonprofits strives to protect and enhance the ability of California’s nonprofits to serve California, the nation, and the world. We value the role of California’s nonprofits as drivers of shared prosperity, and our advocacy work reflects this by prioritizing good governance and fairness.

We know you are busy enough tracking policy matters that relate to your mission, whether you work in the area of the environment, child welfare, civil rights or health. So we concentrate on the “business side” of nonprofit policy such as required government forms and restrictions on nonprofit operations.

Our new Legislation Tracker makes it easier for you to keep your attention on the good work you do in your community while staying abreast of important issues that could affect your organizational infrastructure. In addition, we’ll continue to follow some issues that involve values and standards associated with the nonprofit community, such as safety nets, fairness in employment, civil rights, and voting accessibility.

So check it out! www.calnonprofits.org/advocacy/bill-tracker

Is your organization a community engagement champion?

Now is the time to show off!

Nonprofits in every subsector – arts, human services, environment, animals, human rights, civic engagement, sports, education, youth development, and others – improve and enrich the lives of Californians every day. This award is intended to recognize organizations that are champions for their clients, patrons, and constituents by engaging their wider community.

Nominating is easy:

WHO  Nonprofit Members of CalNonprofits
DEADLINE  October 2 at 5pm
VISIT   info & nomination forms www.calnonprofitsinsurance.org
CONTACT  Araceli Ramirez at 415-816-3045 or via email at: aracelir@calnonprofits.org

$10,000 Community Engagement Champion Award

CalNonprofits Insurance Services
A SUBSIDIARY OF THE CALIFORNIA ASSOCIATION OF NONPROFITS

buzz is the CalNonprofits quarterly journal
ALL ABOUT THE FUTURE:

**Previewing the 2015 CalNonprofits Annual Policy Convention**

The 2015 Policy Convention takes place in Oakland and is focused on the future. What’s on the horizon for California’s nonprofit community in 2016? How will our sector be impacted by new economic, political and cultural issues? The convention day will strive to answer those questions and more as we craft An Economic and Political Forecast for the Nonprofit Sector.

We are planning a day full of talking and learning from a diverse group of thinkers and leaders.

Sessions with Rick Cohen, correspondent with the Nonprofit Quarterly, Shawnda Westly, Executive Director of the California Democratic Party and Cynthia Bryant, Executive Director of the California Republican Party are all confirmed so far. We are working to confirm even more speakers and will continue to update you on speakers, sessions and our keynote in the coming weeks.

But the convention is more than just a day of sitting and listening; it is also a time to speak up, question, and think out loud. This year’s convention will feature our first ever “town hall” discussion where you are the presenter. It will be an opportunity to hear and be heard on an important issue that continues to shape nonprofits — overhead. In addition, our CEO, Jan Masaoka, will report to the CalNonprofits community on our policy efforts over the year and hear your suggestions for 2016.

We invite you to join us for candid talks with nonprofit leaders, colleagues and supporters from across California on important issues for the nonprofit sector.

Plan to spend November 4th with your colleagues at CalNonprofits Annual Policy Convention — it wouldn’t be a convention without you!
You Can USE Directors and Officers Liability Insurance: Why It’s Worth the Cost

By Pamela E. Davis

Pamela Davis is the founder and CEO of all of the companies in the Nonprofits Insurance Alliance Group, which includes Nonprofits Insurance Alliance of California (NIAC) and Alliance of Nonprofits for Insurance, RRG (ANI) serving other states, which together insure 15,000 nonprofits, and she writes based on their real-life experiences with claims. NIAC, CalNonprofits and CompassPoint also partner on the annual leadership conference, Stronger Together, which takes place August 24th in Los Angeles.

Does a nonprofit organization really need to purchase directors and officers (D&O) liability insurance? The short answer is “yes.” D&O insurance covers the organization and its directors, officers, and trustees against actual or alleged wrongful acts in three major areas:

1) Governance liability: claims resulting from general governance decisions;

2) Fiduciary liability: claims resulting from alleged fraud and improper financial oversight, including oversight of employee benefit plans (Employment Retirement Income Security Act [ERISA]) and use of grant funds and donor contributions; and

3) Employment practices liability: claims resulting from employment-related activities.

Of these types of claims, employment practices liability claims are by far the most frequent and, generally, the most costly. Employment-related claims spiked during the recession of 2009, and those of us handling these claims expected them to continue for a few years—when nonprofits were cutting back on their workforces because of dips in funding—and then return to a more normal level once funding improved. However, that appears not to be the case. Employees and their attorneys seem more willing than ever to sue nonprofits (unlike ten years ago, the focus of such lawsuits is no longer on for-profit companies); furthermore, employment law has become more complex, and it is much easier for all employers, including nonprofits, to fail to follow both the spirit and the letter of the law.

The other two areas of coverage relate to governance and fiduciary liability alleging improper governance decisions, or alleged fraud and improper financial oversight or improper use of funds. While these claims may also be large, they are far less frequent than employment-related claims.

D&O and Nonprofits

While the risk of sizable employment claims is present in every state, California seems to produce the most expensive ones—both in cost of defense and in indemnity payments. The average employment practices claim against a nonprofit in California is about 45 percent more expensive than claims against nonprofits in the rest of the United States. This is likely — continued on next page
because California has more complex and stringent employment laws that are more protective of employees, and also because in California compensation and cost of living are relatively higher than in many other states, and so the attorney fees tend to be proportionately higher.

**If You Do Not Do Anything Else, Do This**

We insure nearly 15,000 nonprofits, and we know from twenty-six years of experience that nonprofits do great work, but most are stretched thin. The demands on nonprofits seem to grow no matter how hard or long they work. But there are a couple of things that we believe are essential on the governance side that will more than repay the time, energy, and money expended. These are: (1) get good professional advice before taking a significant employment action; and (2) remember that a 501(c)(3) nonprofit is held in trust for the public, and management is accountable to them.

We feel so strongly about the first piece of advice that we have three employed attorneys providing unlimited, free employment risk management advice to our member insureds who have D&O insurance with us. Yes, it is a significant expense, but we know that in the long term it is going to save all of us time and money, and will cut frustration. It is our number one risk-management tool, and we think that every nonprofit ought not to have to think twice about picking up the phone or sending an e-mail and getting free expert advice to avoid the many employment practices pitfalls.

Finally, some of the most expensive and contentious governance and employment claims we see arise from nonprofits who either do not have or do not follow prudent nepotism policies, or seem not to understand that nonprofits are public organizations and, simply, are entrusted to their care. Those in management who treat a nonprofit like a small, personally owned business and hire many relatives as staff and board members usually lack the external controls that result in the best risk management. It is absolutely imperative that we, as nonprofits, operate transparently and always in the best interests of the public we serve.

We cannot promise that you will never be subjected to a lawsuit even if you do practice good risk management; nor can we promise that the time period for the lawsuit will be short, or that the cost to defend and/or indemnify will be small. However, if you have complied with the law and acted with integrity and transparency, your chances before a judge or jury just got a whole lot better.

This chart illustrates the relative risk and cost of these various types of claims gathered over a ten-year period by Nonprofits Insurance Alliance Group. Unless a nonprofit has these types of discretionary funds available to undertake defending and settling such claims, it behooves every nonprofit to provide D&O insurance protection for their organization and their board of directors.

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This article was originally published by the Nonprofit Quarterly and has been adapted for length. To read the article in full, please go to http://nonprofitquarterly.org/2015/07/13/directors-and-officers-liability-insurance-why-its-worth-the-cost/.
Five Reasons to Attend the 2015 Convention

1. **LEARN** from experts what’s working for today’s nonprofits
2. **SHARE** your vision for the nonprofits of tomorrow
3. **CHALLENGE** yourself and your organization to tackle a new project
4. **EXPAND** your professional network, and
5. **RECHARGE** – you deserve it!

**2015 Policy Convention**

An Economic and Political Forecast for the Nonprofit Sector

**NOVEMBER 4, 2015**

Oakland Convention Center

Register Now!

www.calnonprofits.org/programs/annual-convention

**Questions?**

Email our Program Director, Diana Dunker, at dianad@calnonprofits.org or call 800-776-4226