



In This Issue:

Iowa General Assembly
Considers Nonprofit Health
Care.....1

Financial Literacy Crucial for
Nonprofits2

Nonprofits and the Iowa
General Assembly2

Youth on Nonprofit Boards
Present Opportunities &
Challenges.....3

2012 Amendments to Non-
profit Corporation Act.....4

Volunteer Awareness Day/
Hawkeye Caucus.....5

Map of INRC Services to
Iowa6

Koontz to Offer Workshop on
Starting Nonprofit.....7

Training Opportunities8

Iowa General Assembly Considers Nonprofit Health Care

by Richard Koontz, Director, Iowa Nonprofit Resource Center

Nonprofits with small budgets often struggle to find a way to get a health care plan to cover their employees. This year the Iowa General Assembly responded to that need by introducing a bill to allow nonprofit employers to join the health care plan offered to state employees.

The bill provides that “employees of a nonprofit employer shall be considered state employees for purposes of eligibility to obtain employee health or medical insurance from a state health or medical group insurance plan as provided to state employees by the department of administrative services.”

This health care plan for state workers is described on the Department of Administrative Services website at <http://benefits.iowa.gov/health.html>

The bill (SF2262) is available online at <http://coolice.legis.state.ia.us/Cool-ICE/>

default.asp?Category=billinfo&Service=Billbook&menu=false&hbill=sf2262 The bill is out of committee but as of this writing has not passed the legislature.

Access to health care for Iowa nonprofits is a longstanding significant issue. The Governor’s Nonprofit Taskforce in

Access to health care for Iowa nonprofits is a longstanding significant issue.

2005 named access to health care as an important issue to address. One of the Taskforce’s recommendations was to “find a way to provide some level of health insurance and other employee benefits.

Since small charitable nonprofits have little or no leverage to negotiate premiums, an effort must be made to

Healthcare, *continued page 7*

Financial Literacy Crucial for Nonprofits

by George R. Kennedy, University of Iowa Research Assistant

According to the President’s Advisory Council on Financial Literacy, “financial literacy” is “the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being.” Under the Obama Administration that goal has changed slightly, to financial capability, or “the capacity, based on knowledge, skills, and access, to manage financial resources effectively.” While that definition was intended to apply to people, financial literacy is also a significant consideration for nonprofits.

A recent Indiana University study, Financial Literacy and Knowledge in the Nonprofit Sector, used three questions

about bonds, investment, and stock diversification to check the financial competency of nonprofit managers.

That study discovered that only 36 percent of nonprofit financial managers answered all three questions correctly. Nonprofit financial managers can, however, improve their financial literacy. According to the study, taking additional courses in economic or financial education led to a marked improvement; the study participants who had taken five or more Economics and Finance courses had the best performances on the three study questions. These may be taken

Financial Literacy, *continued page 3*

Nonprofits and the Iowa General Assembly

by Richard Koontz, Director, Iowa Nonprofit Resource Center

This is the fourth in a series that examines the relationship of various state government entities to Iowa's nonprofit community. Awareness of the extensive interactions between nonprofits and state government will strengthen Iowa as a nonprofit-friendly state.

The primary legislative body in Iowa, the General Assembly, regularly produces legislation that affects nonprofits in the state. For example, in the last few years the Iowa General Assembly considered a bill adding a private right of action for fraud in fundraising (SF178 – passed), the Revised Uniform Unincorporated Nonprofit Association Act (HF 726 – passed), new filing requirements under the charitable solicitation rules in Iowa Code 13C (SSB1029 – not passed), and, this session, a bill allowing nonprofit employees to be on state employee health care plans (SF2262). It is important for Iowa's nonprofit voices to be heard on these legislative efforts that affect them, sometimes profoundly.

Nonprofits with 501(c)(3) exemption are limited in the amount of lobbying they can do, but they can do "insubstantial" amounts of lobbying with the legislature in Des Moines.

A nonprofit making a 501(h) election with IRS Form 5768¹ usually increases the amount of lobbying that is still within the 501(c)(3) limits. Tax reporting of lobbying efforts is required for Form 990-EZ and 990 filers.²

Under Iowa law there is regulation in addition to the federal tax regulation for lobbyists in Des Moines. A "lobbyist" under Iowa law is someone who:

- (1) Receives compensation to encourage the passage, defeat, approval, veto, or modification of legislation, a rule, or an executive order by the members of the general assembly, a state agency, or any statewide elected official.
- (2) Is a designated representative of an organization which has as one of its purposes the encouragement of the passage, defeat, approval, veto, or modification of legislation, a rule, or an executive order

before the general assembly, a state agency, or any statewide elected official.³

Specifically excluded from the definition of lobbyist are unpaid directors of nonprofits:

- (7) An individual who is a member, director, trustee, officer, or committee member of a business, trade, labor, farm, professional, religious, education, or charitable association, foundation, or organization who either is not paid compensation or is not specifically designated as provided in paragraph "a", subparagraph (1) or (2) (emphasis added).⁴

While the federal tax limitations refer only to lobbying before a legislative body (federal, state or local), the Iowa law on lobby regulation looks at interactions both with the state legislature and with state regulatory agencies. For helpful guidelines on lobbying with executive branch agencies, see the Iowa Ethics & Campaign Disclosure Board website.⁵ For helpful guidelines on lobbying with the General Assembly, see the General Assembly website.⁶ A list of state representatives from your nonprofit's jurisdiction is also available there.⁷

Nonprofits may do lobbying in Des Moines by hiring a professional lobbyist. By doing so, they are subject to the registration and reporting

requirements of Iowa law. Lobbyists must register with the Iowa General Assembly and/or the Iowa Ethics & Campaign Disclosure Board.⁸ Lobbyists' clients must do reports annually with the General Assembly and/or the Iowa Ethics & Campaign Disclosure Board.⁹

Notes

¹Available on the IRS website at <http://www.irs.gov/pub/irs-pdf/f5768.pdf>

²Form 990, Part IV, line 4 and Part IX, line 11, and 2009 Form 990-EZ, Part VI, line 47, and, for both the 990 and 990-EZ, Schedule C

³IOWA CODE § 68B.2(13).

⁴Id.

⁵http://www.iowa.gov/ethics/lobbying/lobbying_index.htm

⁶<http://www.legis.state.ia.us/Lobbyists/QuickRefLobbyist.pdf>

⁷<http://www.legis.state.ia.us/asp/Legislators/LegislatorInfo.aspx>

⁸IOWA CODE § 68B.36. For the lobbyist of executive branch registration form see the Iowa Ethics & Campaign Disclosure Board website at http://www.iowa.gov/ethics/forms_brochures/forms/lobbyistforms.htm

For lobbyist registration for the General Assembly: www.legis.state.ia.us/Lobbyists/LobbyistOnlineFiling.htm

⁹IOWA CODE § 68B.38. For the lobbyist client reporting form, see the Iowa Ethics & Campaign Disclosure Board website at http://www.iowa.gov/ethics/forms_brochures/forms/lobbyistforms.htm

For lobbyist reports for the General Assembly, see <http://www.legis.state.ia.us/Lobbyists/LobbyistOnlineFiling.htm>



Youth on Nonprofit Boards Present Opportunities and Challenges

by Michael Jenkins, Student Editor

Many of Iowa's nonprofits benefit from the volunteering spirit of our state's young people. From time to time, the INRC fields questions about the legality of having minors serve as directors on nonprofit boards. The Revised Iowa Nonprofit Corporation Act (Iowa Code Chapter 504) does not specifically address minors serving on boards, but there are several legal issues nonprofits should consider when thinking about adding youth to their boards.

The Nonprofit Law Blog recently discussed the issue of youth on nonprofit boards in a post by attorney Emily Chan at <http://www.nonprofitlawblog.com/home/2012/01/youth-board->

[members-can-minors-serve-on-a-nonprofit-board.html](http://www.nonprofitlawblog.com/home/2012/01/youth-board-members-can-minors-serve-on-a-nonprofit-board.html)

Chan noted that while a state law may be silent on the issue, "A takeaway for organizations is not to assume silence in the law means the same as authorization."

Nonprofits should consider the motivation for having young people included on the board. Would the organization achieve its goals by including the young person as a non-voting member of the board? Will the young person have the support of the board and the mentoring needed to take on the fiduciary duties of a director? Will the organization's directors and

officers (D&O) liability insurance cover the minor director?

Young directors should not be put in positions that require they act as signatory for the organization because their rights to enter into binding agreements are limited under general principles of contract law. The law is also unclear about whether minors could be held liable for a breach of their fiduciary duties to the organization.

Increasing the participation of young people in the leadership of nonprofits can provide tremendous benefits for the organization. However, before adding a minor to your board, you should consider both the benefits and the costs.

Financial Literacy, from page 1

in the course of an MBA program or as stand-alone continuing education courses. Presumably that success would correspond to the best understanding of nonprofits' money-management concerns.

Nonprofits may wonder why they should focus on improving the financial literacy and competency of their financial managers. In the current economy, however, the ability to efficiently and properly manage funds may directly influence a nonprofit's continued existence. Therefore the expense of additional fiscal management courses is probably outweighed by the benefit of avoiding fiscal troubles later in time.

Other steps may also help nonprofits improve their fiscal stability. First, nonprofits should find ways to minimize the effect of unforeseen variations in income or expenses. As the economic downturn of 2008 and the slow recovery since then have shown, the sustainability of nonprofits depends on the ability to adjust to changes in the market. One way to avoid falling prey to market trends is to maintain a cash reserve equivalent to three months of operat-

ing expenses, according to a 2011 article in *Philanthropy Matters*. Second, financial managers of nonprofits should become comfortable with



strategic planning, develop an awareness of market trends, and nonprofits should make employees aware of the nonprofit's money management policies.

In sum, the best avenue for financial managers of nonprofits to improve the nonprofit's corporate financial

literacy and competency is to gain education about finance and economics through continuing education courses, reputable online programs, and MBA programs. Nonprofits should also work on building emergency cash reserves and long-term plans. Developing a nonprofit's financial literacy and competency could benefit the nonprofit in two ways. Maintaining fiscal stability will help nonprofits avoid the more serious consequences of future economic downturns. The ability to demonstrate financial long-term financial stability may also attract new donors who see the nonprofit's stability as a sound charitable investment.

- The Center on Philanthropy at Indiana University, *Financial Literacy and Knowledge in the Nonprofit Sector* (2011), available at <http://www.philanthropy.iupui.edu/Research/docs/FinancialLiteracy2011.pdf>
- *Financial Literacy for the Long Term*, *Philanthropy Matters*, 2011, available at http://www.philanthropy.iupui.edu/philanthropymatters/doc/philanthropy_matters_19_2.pdf

2012 Amendments to Revised Nonprofit Corporation Act

by Willard Boyd III, Nyemaster Goode, P.C. Des Moines, IA
wlb@nyemaster.com

This session, the Iowa General Assembly adopted amendments to the Revised Iowa Nonprofit Corporation Act, Iowa Code Chapter 504 (“Act”).

The amendments, in the form of Senate File 2260, were proposed by the Iowa State Bar Association Nonprofit Corporations Committee. Most of the amendments are based on the Model Nonprofit Corporation Act, Third Edition (“MNCA”), which was adopted by the ABA Business Law Section Nonprofit Organizations Committee. With the adoption of the proposed amendments, the Act, which is based in large part on the MNCA, has been updated to be more consistent with the MNCA.

Overall, the amendments are intended to provide greater flexibility and more direction and protections to nonprofit corporations and directors regarding certain matters. Below is a summary of the amendments.

Termination or Suspension of Members—Iowa Code section 504.622. The Act provides a process for termination and suspension of members. The amendment permits a nonprofit membership organization greater flexibility to provide for termination or suspension in accordance with procedures set forth in the articles of incorporation or bylaws of such organization.

Electronic Member Meetings—Iowa Code sections 504.701 and 504.702. The Act has been amended to permit member meetings to be held via the Internet or other electronic means. To the extent a nonprofit would like to hold such meetings, it would need to amend

its articles of incorporation or bylaws to permit them. It is noted that this provision relates to member meeting and not board meetings. The Act already permits electronic meetings of members where members are able to utilize electronic communications (such as conference calls) by which all directors participating may simultaneously hear each other. Iowa Code section 504.821.

Conduct of Meeting—Iowa Code section 504.709. The Act has been amended to address the conduct of member meetings when the articles of incorporation, bylaws or board action do not specify the procedures for such meetings. The “default” provision sets forth a procedure for appointment of a chair of a member meeting. In addition, it provides that unless otherwise provided in the articles of incorporation or bylaws, the chair shall determine the rules of the meeting and such rules must be fair to the members.

Inspector of Elections—Iowa Code section 504.719. The Act has been amended to provide for the appointment of one or more inspectors who would be responsible for overseeing elections.

Oversight Responsibilities of Directors—Iowa Code section 504.801. The Act has been amended to make clear that the duties of directors include a duty of oversight. This responsibility is already recognized in other sections of the Act.

Advisory Committees—Iowa Code sections 504.826 and 504.831. The Act has been

amended to incorporate a MNCA provision that expressly recognizes the use of advisory committees. Such committees can be composed of non-board members. Because such committees are composed of non-members, they may not exercise any powers of the board; still, they can exercise non-board powers and can advise the board on board matters. In addition, the Act, which permits directors to rely on officers, committees, attorneys, accountants, and others in carrying out their fiduciary duties, has been amended to permit directors to also rely on advisory committees in carrying out such duties.

Business Opportunities—Iowa Code section 504.836. The Act has been amended to address a process for handling situations where a director is presented a business opportunity that may be beneficial to the nonprofit corporation (also known as usurping the corporate opportunity). These situations may arise when a director becomes aware of a business opportunity that may be beneficial to both the director and the nonprofit. Under the new provision, a nonprofit is to use the statutory process used for addressing conflict of interest transactions. By complying with the process, an “interested” director will be protected from liability.

Merger of Nonprofits—Iowa Code sections 504.1101, 504.1102, 504.1105. The Act has been amended to permit mergers between nonprofit corporations and unincorporated entities, including unincorporated nonprofit associations, partnerships, and limited partnerships, as well as limited liability companies and business corporations. The Act

RINCA, continued page 7

Iowa Commission on Volunteer Service Hosts Volunteer Awareness Day

The Iowa Commission on Volunteer Service held its Volunteer Awareness Day in the state capital in Des Moines on February 21. The event gives legislators a chance to see some of the great community service lowans are doing around the state. Governor Branstad visited the booths in the rotunda and talked to those participating in the event. Some of the groups participating were the Iowa Hospital Association, Angel House, Children & Families First, Iowa Legal Aid and Greater Des Moines Habitat for Humanity.



Five staff members (left) of Angel House in Waterloo participated in Volunteer Awareness Day. Angel House is a women's transitional home for homeless or near-homeless women with addictions. Its mission is "to provide a safe and structured environment where each resident has the opportunity to learn the coping skills required to live without the use of mind-altering substances and become responsible, productive members of society."

Angel House has been open for two years and has 25-30 volunteers. Three Iowa colleges provide interns. For more information about Angel House, go to: www.angelhouserh.org/2152.html

INRC Among UI Attendees at Second Annual Hawkeye Caucus



The Hawkeye Caucus was begun two years ago. Representatives from all UI colleges and various centers, programs, and initiatives bring information and displays to the Iowa Statehouse rotunda to inform lawmakers of the university's value. Richard Koontz, director of the Iowa Nonprofit Resource Center and Jeff Schott, director of the UI's Institute of Public Affairs (IPA) attended the March 27 caucus.

At left, IPA director Jeff Schott converses with Governor Terry Branstad.

See page 6 for the Iowa Nonprofit Resource Center's map showing our services to Iowa. Copies of the map were distributed at the Hawkeye Caucus. It may also be viewed online at <http://inrc.continuetolearn.uiowa.edu/AboutUs/INRC%20Svc%20map.pdf> ➔

Photos by Richard Koontz

Healthcare, from page 1

find or create a statewide or regional charitable nonprofit health insurance consortium which will make some coverage financially feasible for charitable nonprofit organizations.” The Legislative Commission on Affordable Health Care Plans for Small Businesses and Families was created in 2007 and included a representative from the nonprofit sector.

RINCA, from page 4

maintains the restrictions imposed on mergers involving public benefit/religious corporations and “for profit” entities or “mutual benefit” nonprofit entities but was amended to make clear that the restrictions only apply where the public benefit/religious corporation is not the surviving entity.

As a result of the amendments, nonprofit corporations will have greater flexibility and direction with regard to certain matters. To take advantage of two of the amendments – relating to electronic meetings of members and termination and suspension of members pursuant to a procedure established by the nonprofit corporation, it may be necessary to amend the articles of incorporation or bylaws of the organization if such governance documents do not address such matters already.

No action is needed with regard to the governance documents of nonprofit corporations to take advantage of the other amendments.

Value of Volunteering Grows

The Philanthropy Journal reports that, according to a new estimate by Independent Sector, an hour of volunteering was worth \$21.79 in 2011, up 43 cents from 2010. The estimate is based on the average hourly earnings of all production and non-supervisory workers on private non-farm payrolls, as determined by the U.S. Bureau of Labor Statistics.

Independent Sector increases that number by 12 percent to estimate for fringe benefits.

Roughly 62.8 million Americans, or 26.3 percent of the adult population, donated 8.1 billion hours of volunteer services worth \$173 billion in 2010, the most recent year for which data are available.

According to the Corporation for National and Community Service, nonprofits employ about 12.9 million workers, or nearly 10 percent of the U.S. work force, and account for about 5.2 percent of gross domestic product, Independent Sector says.

INRC Director Koontz to Offer Workshop on Nonprofit Startups

INRC Director Richard Koontz will present a day-long workshop on starting a nonprofit organization. The workshop, entitled, *Legal Perspectives on Organizing Nonprofits: Principles & Procedures*, will be offered on Thursday, May 17 from 9:00 a.m. to 4:00 p.m. at Iowa State University Extension and Outreach, 3109 Old Highway 218 South, Iowa City.

Participants in this hands-on workshop will review and complete all the legal forms needed to start a nonprofit corporation with 501(c)(3) status in the state of Iowa. Basics of the Iowa nonprofit corporation act as it relates to starting a nonprofit and tax exemption issues arising on Form 1023 will be discussed.

The course fee is \$70. CEUs are available.

For additional information and to register, contact Amy Heims at 319-337-2145 or aheims@iastate.edu

Independent Sector Has Updated Advocacy Materials

Independent Sector has posted updated advocacy materials, including national and state profiles, on its website. The materials are useful in meeting with lawmakers to discuss the importance of the broader nonprofit community and to highlight the role of nonprofits as employers (nonprofits employ over 10% of the workforce nationwide). These materials will also be of interest to your members, networks, and constituents. Go to https://www.independentsector.org/key_messages_materials for details.

Nonprofit Finance Fund Releases Fourth Annual Survey

The Nonprofit Finance Fund (NFF) recently released its 2012 State of the Sector Survey. This was the NFF's fourth annual survey and their largest yet. The survey compiled data from 4,607 respondents. Of the respondents, 85 percent reported an increased demand for services. Many respondents reported that their organizations were unable to meet the increased demand.

The report summarizes many findings such as whether or not nonprofit boards are meeting the challenges of their organizations, the consequences of government funding and what happens when payments from government entities are delayed, and how nonprofits are doing more with less personnel.

The entire survey is posted on the NFF website along with a brochure that gives a snapshot of the results, a survey analyzer and more. Go to <http://nonprofitfinancefund.org/state-of-the-sector-surveys>

Training Opportunities

INRC staff:

Richard Koontz

INRC Director

Brenda Steinmetz

Admin. Svcs. Coordinator

Diane DeBok

Editor & Content Manager

Michael Jenkins

Student Editor

Legal Disclaimer:

All newsletter content is provided for informational purposes only and does not constitute legal counsel.

Although we have made every attempt to ensure accuracy, the INRC is not responsible for any errors or omissions or for the results obtained from the use of this information. All information is provided with no warranty of any kind.



The Larned A. Waterman
Iowa Nonprofit Resource Center
130 Grand Avenue Court
Iowa City, IA 52242
1.866.500.8980

<http://inrc.continuetolearn.uiowa.edu/default.asp>

Iowa State University Nonprofit Management Academy

Iowa State Nonprofit Management workshops are held on the Thursday dates shown, 9 a.m. - 4 p.m., at Iowa State University Extension & Outreach, 3109 Old Highway 218 South, Iowa City.

Cost: \$70. CEUs available.

E-mail aheims@iastate.edu with questions and to register or call 319-337--2145.

Budgets and Projecting Financial Need

April 26

Instructor: Regenia Bailey, Bailey Leadership Initiative

Legal Perspectives on Organizing Nonprofits: Principles and Procedures

May 17

Instructor: Richard Koontz, Director, Iowa Nonprofit Resource Center.

Evaluation and Establishing Goals

May 31

Instructor: Patti Fields, United Way of Johnson County

Can't We Just Get Along?

June 14

Instructor: Don Broshar, Iowa State University

Volunteer Management

June 28

Instructor: Paul Retish, University of Iowa College of Education

Mediation Services of Eastern Iowa

Managing or Mediating High Conflict Disputes: Advanced Training for Professionals

April 25

Time: 8:30 a.m.-4 p.m.

Instructor: Bill Eddy, JD, LCSW, CFLS
How to handle high-conflict disputes and behaviors in families, between neighbors, and in professional and other settings.

Cost: \$140. Group rates available.

E-mail admin@mediateiowa.org

Register at <http://www.mediateiowa.org/courses-for-professionals/cle-courses-registration.aspx>

About Our Organization

The Larned A. Waterman Iowa Nonprofit Resource Center is a University of Iowa interdisciplinary collaboration created to make more accessible educational and service programs focused on strengthening the operational capacity of Iowa nonprofit organizations.

The INRC works collaboratively with government agencies, nonprofit organizations and educational institutions to impart new knowledge through activities

and provide information and training resources to help nonprofit organizations and interested persons throughout Iowa. We seek to build the capacity and develop the effectiveness of community-based organizations and enhance the overall effectiveness of local organizations in building communities. The INRC also introduces students to the nonprofit sector and develops their sense of public and community service.