



# The Larned A. Waterman Iowa Nonprofit Resource Center

Helping strengthen community organizations

eNewsletter

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## Nonprofit-Government Relations Issue

# State Increases Endow Iowa Funding for 2011

by Michael E. Jenkins

**O**n May 13, Governor Branstad signed SF 302 into law increasing funding for the Endow Iowa tax credit program by \$800,000 annually to a total of \$4,500,000 for the 2011 tax year. Both houses of the legislature unanimously supported the measure.

Endow Iowa encourages giving for long-term support of Iowa's communities by providing a 25 percent state tax credit to businesses and individuals who contribute to the endowments of local community foundations. Local community foundations are nonprofit organizations established to support the needs of Iowa communities by providing a method for the creation and management of endowment funds.

Established in 2003, the Endow Iowa Tax Credit program has leveraged more than \$62,000,000 in giving to Iowa's community foundations. The 2011 credits of \$4,500,000 will leverage an additional

\$18,000,000 in giving.

The Endow Iowa tax credit replaces a taxpayer's state income tax deductions for charitable giving for endowment support to qualified community foundations.

Using the tax credit, the taxpayer foregoes the traditional charitable deductions to state income tax and instead receives a state income tax credit of 25 percent of the donation up to \$100,000 annually. This tax credit can reduce the net cost of a \$10,000 donation to \$4,000 by combining federal deductions with the Endow Iowa credit. The leverage effect of the Endow Iowa credit has made it an attractive tool for donors, community foundations, and nonprofits.

By encouraging endowment support, the Endow Iowa credits build a foundation for the long-term support of important nonprofit, faith-based, and educational organizations on the local level. After fifty  
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## Look to SOS Site for Nonprofit Help

by Richard Koontz, INRC Director

*This is the first 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.*

**T**he Iowa Secretary of State's office (SOS) is where filings to create nonprofit entities are usually made. The Nonprofit Corporation Act in Iowa provides for various filings related to nonprofit corporations such as the creation of the nonprofit corporation with articles

of incorporation, the biennial report, and documents related to a corporation's dissolution. All filings with the Iowa Secretary of State are posted on the SOS website and can be viewed by anyone. (See the *search databases* section at <http://www.sos.state.ia.us/search/index.html>). These documents provide information about the nonprofits such as board officers, address, organizational purpose, and whether there is a voting membership.

As of 2008, there were 29,021 nonprofit corporations in Iowa. Only around 13,000 of these are charitable, 501(c)(3) nonprofits. The rest have other forms of

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# Enhancing Local Government–Nonprofit Collaboration: Lessons Learned From the ARRA Grant Project

Jeff Schott, Program Director, Institute of Public Affairs, The University of Iowa

It is hardly a secret that local governments today face daunting challenges: issues are increasingly complex; change occurs at a breathtaking pace; budgets are severely constrained; and power is more dispersed. Yet citizen expectations for action remain unabated.

In response to these challenges, many local governments have recognized the value of collaboration with nonprofit organizations in dealing with a community's needs and promoting community improvement.

Nonprofits can assist local governments in a number of ways: they have specialized information and knowledge regarding particular issues or concerns; they may be able to provide programs or services more efficiently and effectively; they frequently operate in a larger geographical area and can provide coordinated and uniformly administered services; they draw their volunteers from and conduct fundraising on a regional basis. As a result, better use can be made of administrators, technical staff, and employees of both local governments and the nonprofits.

But local government–nonprofit collaboration is not always easy. There are a number of stumbling blocks that can hinder even the most well-intentioned groups from successfully collaborating.

Recently, the University of Iowa's Institute of Public Affairs (IPA) and Larned A. Waterman Iowa Non-profit Resource Center (INRC) were awarded a grant from the Strengthening Communities Fund program of the American Recovery and Reinvestment Act (ARRA) of 2009. Under this grant, INRC and IPA are assisting the local governments and nonprofit organizations in five communities—Belle Plaine, Chariton, Pocahontas, Prairie City, and a joint project with four cities in Lee County (Donnell-

son, Franklin, Montrose, and West Point)—developing and implementing long-term community economic recovery strategies.

Based on our experiences in the five communities, we have identified some methods for enhancing local government–nonprofit collaboration:

## 1. Select an important issue.

Before the community can mobilize behind a project or initiative, there needs to be a clear consensus that the issue has great significance to the community. Some of the factors to consider before embarking on a collaborative project:

- What is the perceived need in the community?
- What is the potential overall impact?
- What are the costs, one-time and ongoing? Can the project be continued without future city financial support?
- How feasible is the project? If the project involves a capital campaign or fundraising, what is the likelihood of success?
- What are the risks involved in the project? What is the impact on the city's liability exposure?
- How will the project be accepted by the public?

## 2. Get top-level buy-in early.

Make sure the key leaders in both local government and the nonprofits are on board early in the process and fully support the project.

**3. Involve a wide variety of the community.** A broad range of support within the community is essential

to assure the long-range success of the project. We used the following checklist to make sure groups were included in the process:

### Organizations

Economic Development Groups  
Chamber of Commerce/Business Groups  
County Community Foundations  
Arts and Culture  
Civic/Service Clubs  
Churches/Ministerial Association  
Social Service Agencies (non-governmental)  
Recreation  
Tourism

### Local Governments

Mayor/City Council  
City Administrator/City Clerk/Key City Staff  
County Board of Supervisors  
School District/Board of Education/Superintendent

In these difficult times, it is critical to marshal all the resources available in your community to meet your community's challenges.

Municipal Utilities – Board or Manager  
Fire Department  
Social Service Agencies  
Regional Planning Commission  
Planning and Zoning Commission

### Representational Factors

Diverse Age Groups: Adults, Youth, Retired  
Gender  
Ethnicity  
Geographic distribution  
Income levels  
Long-time/new residents  
Blue/white collar

Business/Industry/Retail/Main Street  
Agriculture  
Utilities  
Banking/Financial  
Insurance/Real Estate  
Health Services  
Hospitality/Tourism  
News media

#### 4. Develop clear agreements.

Chapter 28E of the Iowa Code requires agreements between local governments and nonprofits, as well as other organizations, to be put in writing and submitted to the Office of the Secretary of State. Even if this were not required, it is a very good idea to set out in writing the terms and conditions of the collaborative relationship. These types of agreements should address the following issues:

- What is the purpose or intent of the collaboration?
- What is expected? Is it production of services or obligational (contracting, funding, borrowing)?
- What is the decision-making process? Who is in charge?
- How do you provide for management, oversight, and accountability of performance, financial, operational, and legal matters?
- What are the financial arrangements? Who is responsible for what costs? How do you allocate for unforeseen or emergency costs?
- What are the regulations, conditions, “strings” pertaining to both parties?
- What are the reporting requirements?
- What if one party wants to opt out?

**5. Understand the rules.** In addition to the terms of the 28E Agreement, make sure there is a clear understanding of the “rules of engage-

ment”. If city funding is involved, make sure the nonprofit understands the budget process and timelines, what information is required to be submitted when requesting financial support, and when the funding will be available.

**6. Promote coordination and continuity.** Make sure all parties know the mission and priorities of their collaborative partners. Clarify the mission between similar groups, for example, several nonprofits dealing with economic development or housing. Make sure the decision-makers have a good understanding of the specific mission of each of those groups and how they differ. As memberships change on both the City Council and nonprofit boards of directors, remember to orient the new members as to the purpose, intent, and agreements related to the collaboration.

**7. Cherish your volunteers.** In this period of scarce resources, we quickly learned in the Pilot Communities that one of the scarcest and most precious resources is the time and energy of community volunteers willing to participate in the collaborative effort. Dedicated volunteers are involved in so many activities they can be overused and burned out. Make sure to show your appreciation to your volunteers and trumpet their accomplishments. And don’t be reluctant to recruit others such as younger persons or newcomers to your community.

**8. Stress implementation.** Visioning and planning is essential but the proof is in the pudding, implementing the initiatives and strategies that have been developed. Put together an action plan that lays out the specific steps needed for implementation, identify who is responsible for accomplishing the action steps, and develop time lines for implementation. Establish a system which includes representatives of all the collaborative partners

for regularly monitoring the action plan to determine the status of implementation and make adjustments as needed.

**9. Provide training.** Due to the complexity of the issues involved, ongoing training for nonprofits, local governments and community volunteers can be quite beneficial. Participants in the five pilot communities identified the following areas for training: grant writing fundamentals, principles and practices for nonprofit excellence, strategic planning, organizational development, and local government effectiveness strategies.

In these difficult times, it is critical to marshal all the resources available in your community to meet your community’s challenges. Effective collaborations between your city and your local nonprofit organizations can provide solid benefits to your community.

### Iowa Attorney General Bans Florida Fundraising Activity

The Iowa Attorney General has banned a Florida charity from fundraising in Iowa.

A professional fundraiser based in Des Moines was hired by Defeat Diabetes Foundation to raise funds for it in Iowa. The Attorney General found that there was consumer fraud in the fundraising practices and brought an action to prevent further fundraising by this Florida nonprofit.

For more information on the suit, see the Attorney General website at [http://www.state.ia.us/government/ag/latest\\_news/releases/june\\_2011/DDF.html](http://www.state.ia.us/government/ag/latest_news/releases/june_2011/DDF.html)

# Iowa Nonprofit Summit

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For 2011 Summit details, watch <http://inrc.continuetolearn.uiowa.edu/>

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tax exemption such as chambers of commerce (501(c)(6)) or social clubs (501(c)(7)). While nonprofit corporations are the most often used vehicle for new nonprofits in Iowa, they are not the only kind of nonprofit. For instance, there are also charitable trusts which are dealt with primarily by the Attorney General.

Nonprofits sometimes consist of groups of people working on an issue with no formal entity created. These are referred to as unincorporated associations.

As of July 2010, the Secretary of State is also responsible for administration of the Revised Uniform Unincorporated Nonprofit Association Act, Iowa Code 501B. Unincorporated nonprofit associations can file with the Secretary of State to appoint an agent.

The SOS website provides some guidelines for nonprofits such as how to form a nonprofit, relevant forms and fees, and links to other resources such as the IRS website. (See <http://www.sos.state.ia.us/business/nonprofits/index.html>)

Iowa's Secretary of State led the way in partnering with private entities to guide nonprofits. *The Iowa Principles and Practices for Charitable Nonprofit Excellence*, created by a nonprofit task force and managed by the Larned A. Waterman Iowa Nonprofit Resource Center, are the first self-regulatory guidelines for nonprofits taken up by a secretary of state in the United States. They are posted on the SOS website.

Iowa Secretary of State Matt Schultz says of Iowa's nonprofit community, "As a board member, employee or volunteer, your time, talents, and treasures are of vital importance in creating jobs here in Iowa. The time and dedication that you are giving is helping to ensure better opportunities for all Iowans."

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years, a \$10,000 gift will pay out more than \$66,000 in grants and grow to nearly \$60,000 in endowment funds (this assumes an 8.5 percent annual investment return and a 4.5 percent annual draw on the endowment.)

Endowed giving provides community organizations with predictable revenue streams and long-term sustainability.

Donor designated funds allow donors to specify that their endowment gift to the community foundation be administered on behalf of the charity of their choice. The donor makes a designated gift to the community foundation and the foundation administers the endowment and distributes the income to the chosen nonprofit. Charitable giving through designated funds allows donors the favorable tax treatment of the Endow Iowa credit and provides nonprofits with a simple and efficient way to build an endowment.

Donors can apply for Endow Iowa tax credits by working with their community foundations to submit an application to the Iowa Department of Economic Development. To find the community foundation in your area or to learn more about the Endow Iowa program visit <http://www.iowacommunityfoundations.org/>

## 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.

### Legal Disclaimer:

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