



The Larned A. Waterman

Iowa Nonprofit Resource Center

helping strengthen community organizations



Newsletter

May 2005
Volume 1, Issue 1

Introduction to Larned A. Waterman Iowa Nonprofit Resource Center Quarterly e-Newsletter

We hope you find this inaugural edition of our quarterly report on nonprofit issues useful. We invite your suggestions as to the topics you would like to see included in future issues. This is an email quarterly. We hope you will find it a positive use of your email space. The Larned A Waterman Iowa Nonprofit Resource Center is located at the University of Iowa and its mission is to provide training and research about Iowa's charitable nonprofit organizations in conjunction with Iowa's educational institutions and nonprofit associations. We invite you to view our website at <http://inrc.continuetolearn.uiowa.edu>.

Report of The Governor's Task Force on the Role of Charitable Nonprofit Organizations in Iowa

Recognizing the vital role of voluntary charitable community associations, Governor Thomas Vilsack, in January 2004, appointed a task force to "assess the present and potential role of Iowa's nonprofit sector in advancing the vitality of the communities throughout the state." The report of the Task Force has been submitted to the Governor and Lt. Governor Pedersen and is available in its entirety on our website. The Task Force Report includes a statistical pro-

file of the Iowa charitable nonprofit sector. Its recommendations deal with sector identity, collaboration, philanthropy, effectiveness and accountability. The Task Force has charged the Larned A. Waterman Iowa Nonprofit Resource Center with the responsibility of carrying through on the action steps recommended in "Section III: Future" of the Report. To access the full report, please visit our Nonprofit Center's website at: <http://inrc.continuetolearn.uiowa.edu/updates/GovTaskForce/Report.pdf>.

Revised Iowa Nonprofit Corporation Act

The Revised Iowa Nonprofit Corporation Act ("Revised Act"), Iowa Code Chapter 504, was enacted in 2004. It replaces Iowa's current nonprofit corporation statute, the Iowa Nonprofit Corporation Act, Iowa Code Chapter 504A ("Old Act"), which was enacted in the mid-1960s. The Revised Act is based in large part on the Revised Model Nonprofit Corporation Act ("Model Act"). The Revised Act

incorporates many of the recent amendments to the Iowa Business Corporation Act (incorporating the updates to the Model Business Corporation Act) that became effective January 1, 2003. It also departs from the Model Act with regard to certain issues. For example, the liability shield for directors, officers, members and other volunteers that is currently in INCA (but is not part of the

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The text of the Revised Iowa Nonprofit Corporation Act is available at the Iowa General Assembly website: <http://www.legis.state.ia.us/IowaLaw.html>

For further details on the Revised Iowa Nonprofit Corporation Act, go to: <http://www.sos.state.ia.us/business/Nonprofits/RevNonProfCorpAct.html>

Revised Act... *(continued from page 1)*

Model Act) is in the Revised Act but is modified to incorporate the recent changes to the Iowa Business Corporation Act's liability shield provision.

The Revised Act addresses many issues not addressed in the Old Act. For instance, the Revised Act addresses the standards of conduct imposed on directors and officers, procedures for termination of members, use of delegates in the governance of the organization, and the use of electronic notices and voting. The Revised Act, in comparison to Old Act, also allows for greater indemnification rights for directors and provides greater protections with regard to access by a member to an organization's records. Under the Revised Act, "members" include only those people or entities that have a right to vote for directors. Other individuals or entities may still be called members but will not have the rights provided to members under the Revised Act unless expressly provided in the articles or bylaws of the organization. For certain issues, such as mergers, sale of assets, and dissolution, the Revised Act imposes different rules depending upon whether

the organization is a public benefit, mutual benefit or religious corporation.

The effective date of the Revised Act was January 1, 2005 for all nonprofit corporations incorporated on or after such date. The effective date of the Revised Act for corporations existing prior to January 1, 2005 will be July 1, 2005 unless such corporation elects to have the new law apply earlier.

The Revised Act was drafted with the intent of not requiring existing nonprofit corporations organized under the Old Act to amend their articles or bylaws. Nevertheless, a nonprofit corporation may desire to amend its articles of incorporation and/or bylaws to take advantage of new provisions of the Revised Act, such as those relating to record date, use of delegates, indemnification of directors and officers, director resignation and removal, use of electronic notices, member ballot voting, member and board consents, and electronic transmission of member and board consents. To view a commentary concerning the revised act, written by Willard L. Boyd III, go to our website at: <http://inrc.continuetolearn.uiowa.edu/updates/RINCA.asp>.

Iowa Principles and Practices for Charitable Nonprofit Excellence

The Office of Iowa Secretary of State has distributed to all Iowa nonprofit corporations a copy of the Iowa Principles and Practices for Charitable Nonprofit Excellence. The Principles and Practices are designed to promote good management practices, ethical conduct and public accountability for Iowa charitable nonprofit organizations as they perform their crucial community services. Although the Principles and Practices focus on charitable nonprofit organizations, many of the Practices and Principles are of value for all nonprofit corporations. They were developed by

the Governor's Nonprofit Task Force on the Role of Charitable Nonprofit Organizations in Iowa.

The Principles and Practices recognize that good organizational practices are primarily implemented through education and self-regulation. Iowa is enriched by the great diversity of its kinds of charitable nonprofits, and it is recognized that implementation of these Principles and Practices will take different forms and occur at different levels, given the resources of the nonprofits. The

Principles continued on page 4

The Iowa Principles and Practices for Charitable Nonprofit Excellence booklet is available on our website: <http://inrc.continuetolearn.uiowa.edu/updates/Best%20Practices.asp>

Senate Finance Committee Proposals and Reactions



Finance Committee Chairperson Chuck Grassley (R-Iowa) at the June 22 hearing.

The Senate Finance Committee is expected to draft legislation on nonprofit accountability. This legislation may be the most significant overhaul of nonprofit regulation since 1969. During mid-2004 the Finance Committee staff produced a **discussion draft** outlining issues of concern. Members of the nonprofit sector have been providing feedback ever since. The following website provides information about the status of, and nonprofit response to, the Senate Finance Committee proposals at: <http://finance.senate.gov/site/pages/hearings.htm>.

Update

The Joint Committee on Taxation released its report, "Options to Improve Tax Compliance and Reform Tax Expenditures," on January 25, 2005. The report, containing a number of reforms for tax-exempt organizations, was requested by the Senate Finance Committee. It outlines revenue-raising proposed reforms in a wide range of areas. Iowa Senator Charles Grassley, Chair of the Committee, stated via press release that he believes the report's recommendations for nonprofits build upon the Committee's previous work and strengthen the overall case for reform.

Among the report's recommendations are a five-year review of the exempt status of public charities and private foundations and an annual notice by organizations not required to file returns. Other suggestions include: expanding penalties under intermediate sanctions; increasing the amount of excise taxes imposed for self-dealing; tightening the rules on deductions for conservation and facade easements; limiting deductions of clothing and household items; adding options for limiting deductions on donations of property; and providing additional exemption standards for credit counseling organizations. The Joint Committee report can be found online at: <http://www.house.gov/jct/s-2-05.pdf>.

The Senate Finance Committee has requested the Independent Sector to respond to the issues before the Committee. The Independent Sector has created a panel to develop a response and has held hearings across the nation. On April 7, 2005 one such hearing was held at the offices of the United Way of Central Iowa in Des Moines. To follow the work of the Independent Sector Panel visit the following website at: <http://www.nonprofitpanel.org>.

New Secretary of State Online Nonprofit Center

The Business Services Division of the Iowa Secretary of State's Office (SOS) has recently created the "Online Nonprofit Center" which is designed to assist Iowa nonprofit organizations in accessing needed information. The SOS site also provides a more-efficient means to e-file your Biennial Reports.

- Resources
- Frequently Asked Questions
- 501(c)(3) Tax Status
- Search Iowa Nonprofits
- Iowa Principles & Practices for Charitable Nonprofit Excellence
- Nonprofit Resource Center

The SOS Nonprofit Center is available online at: <http://www.sos.state.ia.us/business/nonprofits/index.html>.



<http://www.sos.state.ia.us/business/nonprofits/index.html>

Included on this site:

- Forming a Nonprofit
- Forms and Fees

Gannon v. Board of Regents

Recently, the Iowa Supreme Court ruled on a dispute concerning public access to the records of the Iowa State University Foundation (ISUF) under the Iowa Freedom of Information Act. *Gannon v. Board of Regents*, 692 N.W.2d 31 (Iowa 2005). Suit was brought by Mark Gannon and Arlen Nichols, citizens of Iowa who sought to make the Foundation's records available.

Gannon and Nichols argued that money donated to the ISUF is under the administration of the Board of Regents of the State of Iowa and, therefore, the Foundation is a governmental entity and must open its records. In the past, the ISUF has released requested information such as IRS Form 990s, audited financial statements, and lists of contributions but Plaintiffs, Gannon and Nichols, say they believe that all records should be available.

The Foundation countered by declaring that, although it receives contributions on behalf of the University, the money does not belong to ISU until it is transferred. Mark McCormick, attorney for the ISUF, argued that the

Foundation's authority to act as trustee is nothing more than a legal authorization to the Foundation, a private, nonprofit entity.

On February 4, 2005, the Iowa Supreme Court ruled that the records of the Iowa State University Foundation are subject to the Iowa Freedom of Information Act. Furthermore, the court held that solicitation and management of private gifts is a function that advances the statutory objects of the university and is therefore a governmental function. By contracting with the Foundation to solicit and manage gifts for the institution, the court reasoned, the Board of Regents had contracted with a non-government body to perform a government function on behalf of the university. Because the Iowa Freedom of Information Act prohibits a government body from preventing the examination or copying of a public record by contracting with a non-government body to perform any of its duties or functions, the records of the Foundation were held subject to disclosure under the Act.

Principles... *(continued from page 2)*

Principles and Practices will be under review by the Task Force because of new developments in the field that include legal changes emerging from the work of the U.S. Senate Finance Committee on Oversight of Nonprofits. The Larned A. Waterman Nonprofit Resource Center is identifying proposed changes which will be reviewed by the Governor's Task Force. Ultimately, the Nonprofit Center will publish Annotations to these Principles and Practices which will include Part I: The Principles and Practices; Part II: Methods by Which an Individual Iowa Charitable Organization Can Signify Adoption of the Principles and Practices; Part III: Annotations to the Principles and Practices, consisting of two sections:

A) Legal Compliance — State and Federal Laws and Regulations Governing Iowa Charitable Nonprofit Organizations, B) Good Practices — How the Principles and Practices Might be Practiced Well; Part IV: Appendices A: Model Annual Report, B: Compliance Checklist, C: Organizational Policy and Practice Checklist, D: Board Compliance Resolutions. Your comments on the Principles and Practices are invited and can be sent to the Larned A. Waterman Iowa Nonprofit Resource Center at: law-nonprofit@uiowa.edu. To view the Principles and Practices, visit our website at: <http://inrc.continuetolearn.uiowa.edu/updates/Best%20Practices.asp>.

Link to the Supreme Court of Iowa document, go to: http://www.nacua.org/documents/Gannon_v_BOR_Iowa.htm

For background information, go to: <http://www.abanet.org/statelocal/lawnews/spring05/Records.html>



Offered through UI
Continuing Education for
Iowa Nonprofits at
discounted prices

SkillSoft Training Opportunities Online Courses Deliver Affordable Training

Iowa nonprofits now have access to more than 300 online course offerings in the areas of professional development, information technology, workplace effectiveness, and more. The University of Iowa's office of Learning and Development and the Division of Continuing Education have partnered with the leading e-learning company, SkillSoft, to bring 377 computer-based courses to the general public.

These non-credit courses cover a range of areas, many of which will be of particular interest to individuals working with nonprofit agencies such as management, marketing, leadership skills, time management skills, and proficiency in popular software.

For organizations with limited training budgets, these courses are an affordable option. SkillSoft courses are accessible from most PC's with Internet access. The annual enrollment fee of \$125 per person allows unlimited access to any of

377 courses. The enrollment fee of \$250 per person/year covers Professional SkillSoft certification in Preparation/Project Management or Microsoft Windows Server 2003.

Certification Sample course titles of particular interest to nonprofits: Dynamics of Leadership Basic Features & Functionality of FrontPage 2002 Microsoft Office 2003: New Features for End Users Advanced, HTML Design Elements Basic, Access 2003, Tables Database Administration in Access 2003 Basic Features of Excel, Advanced Formatting in Excel 2003.

Watch the SkillSoft Web site at: <http://continuetolearn.uiowa.edu/skillsoft/> for more information as it becomes available. To receive e-mail notification when course registration opens, fill out the form at: <http://continuetolearn.uiowa.edu/skillsoft/learnmore.htm#notification>.

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 Center 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 Center also introduces students to the nonprofit sector and develops their sense of public and community service.

The Center's website provides:

- information regarding upcoming classes, seminars and conferences;
- a directory of Iowa nonprofits and the state and national resources available to those nonprofits;
- information about opportunities regarding volunteerism;
- a comprehensive frequently asked questions database concerning nonprofit management in Iowa;
- and a list of nonprofit books provided by State of Iowa Libraries Online (SILO)



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