

Charitable Advisory Council
August 13, 2008
Columbus, OH

Minutes

Members present: Barbara Baker, chair; John Matesich, vice chair; Jennifer Williams, George Espy, Joyce Garver Keller, George Ondick, John Burant and Elaine Woloshyn.

Others present included: Ohio Attorney General Nancy Rogers, Rick Frank of the Ohio Hospital Association, Marilyn Bergman of the Better Business Bureau, Brian Broadbent of Business Volunteers Unlimited, Annette Hoelzer of S, S & G, Jessica Hart representing Goodwill Industries, Judith Bird of Hannah News and Attorney General staff members Monica Moloney, Alex Wohlgemuth and Beth Short.

- I. Meeting was called to order by Council Chair Barbara Baker and introductions were made.
- II. Attorney General Rogers welcomed members of the Council and expressed her appreciation for their time and expertise on these issues. She noted that gathering input from the community helps the office enhance its efforts.
- III. On motion of Mr. Matesich, seconded by Mr. Burant, minutes of the previous meeting were approved.
- IV. Mr. Broadbent of the Cleveland-based Business Volunteers Unlimited gave an overview of the activities of his organization. BVU sprung from an interest among some business leaders to find a strategic approach to link volunteer needs and requests from the nonprofit sector with the corporate community. Businesses join BVU and can enroll staff members in various training, mentoring and other activities that helps equip them to provide board leadership to local nonprofits. More than 150 businesses belong to BVU and the organization has completed more than 1,500 matches linking business staff members with nonprofits in need of board members. Two-thirds of the people matched through BVU have risen to board leadership positions with the nonprofits.

In addition to board matching services, business people with strong functional skills are assigned by BVU to assist local nonprofits with various short-term consulting projects on specific needs. Recruiting and matching retirees with specific skills for longer-term consultancies is a developing effort, Mr. Broadbent said. There will be some upcoming media coverage of a new initiative aimed at recruiting minorities within companies to enter the program so they can be matched on nonprofit boards.

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Mr. Broadbent explained that there are various issues that make the program appealing for local businesses: 1. There is a growing trend for businesses to better match their philanthropy with their mission; 2. It allows employees at all levels to be engaged in service which is a major theme for the millennial generation; 3. Board service helps develop a broader set of skills for staff, including areas of leadership development; 4. Teambuilding; 5. Retention and recruitment; 6. Brand recognition and networking; and 7. Practice development.

BVU also helps coordinate direct service activities when companies are interested in developing days of service, for instance, in connection with various charitable endeavors. He said more than 100 activities a year are coordinated and the participating companies report that the effort served as a significant morale booster. Other volunteer referrals are also a major component of the work at BVU.

While BVU was borne out of the interest of the corporate community, it provides vital services for more than 750 local nonprofits that are facing growing challenges and needs. Mr. Broadbent noted that the demand for services is up, the funding pie is shrinking and the complexity of nonprofit operations is increasing. About 60 percent of the nonprofits BVU works with have budgets under \$1 million.

BVU provides training for nonprofits, as well as needs assessments and consultations. He said that the demand for assistance from nonprofits has grown and he expects that trend to continue, particularly as the challenges continue to increase.

Mr. Broadbent discussed some of the trends that he and his staff have been observing. Research reveals that there will be growing pressures on the nonprofit community to seriously address succession planning, both as it relates to executive leadership and board service. With the large baby boomer generation entering retirement, he said it may be necessary to consider strategies that skip the following generation and involve the millennials who express interest in service. He said that the corporate community is going to have to deal with the same struggles, but that the business community can outspend the nonprofit sector in recruiting staff prospects.

Mr. Broadbent said that there are a few organizations throughout the country that have a similar model to BVU and he frequently gets calls from other cities for information about how to start up similar efforts.

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- V. Mr. Espy shared a presentation that provided an overview of foundations in Ohio. He outlined the various types of foundations and noted there are 3,172 foundations in Ohio. There are requirements that certain types of foundations must make payouts of 5 percent annually. He noted that 61 percent of the foundations have less than \$1 million in assets.

Mr. Espy said that the Grantmakers Forum wants to provide leadership in organized philanthropy and provides training for member foundations. The Forum requires that all member foundations sign off on statements of ethical standards. Some of the guiding principles include learning, honoring donor intent, gathering feedback from the community, active board members and respect. He noted that there is growing commitment to transparency among foundations and a proactive approach to grantmaking. Another trend he noted is the growth in donor-advised funds, rather than the development of funds only after death.

He said it is important to note that foundations can only achieve their philanthropic goals if they work in concert with the nonprofit community that actually helps them fulfill their objectives through services provided. Many foundations are helping to address capacity issues in the nonprofit sector and requiring various efforts on the part of grantees.

Grant evaluations will continue to be an important issue for foundations, he predicted, and this can have a transforming effect on nonprofit operations.

Mr. Espy discussed some of the recent legislative issues that have been in play across the country. California lawmakers recently debated changes that would have required foundations to report various data on minority involvement among staff, boards, vendors and grantees. The issue has been resolved for now following the foundation community's commitment to jointly fund a statewide program to provide training and address capacity building needs of minority organizations. Several other states, and some in Congress, are now looking at measures similar to what was proposed in California.

The Ways and Means Committee in Congress has been addressing governance issues of foundations following some isolated stories of some abuse. Mr. Espy said abuse within the sector is rare and the foundation community is concerned that over-reaching legislative proposals could have a chilling effect on individuals considering the creation of a foundation.

He noted that the rewrite of the tax code next year could include some approaches that would affect the foundation community.

Mr. Espy said that there are several other states that have a charitable advisory council similar to the one in Ohio. He said he believes it is helpful for the

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government and nonprofit sectors to have discussions in order to share perspectives. For instance, he said, if he learned of problems that the Attorney General's office is observing, he can go directly to the foundation community to educate his members on that issue.

- VI. Jennifer Williams gave an overview of the work of the Ohio Association of Nonprofit Organizations. She said that there are 600 members of OANO and that thousands participate in their trainings and technical assistance efforts throughout the year. More than 2,000 people participate in trainings and more than 5,000 organizations are assisted by various technical assistance approaches or training.

In addition to training on various issues such as fundraising, strategic planning, board development and other areas, the organization is active in public policy work. OANO was very involved in the financial accountability legislation introduced several years ago at the Statehouse, as well as rules that had been proposed by former Attorney General Jim Petro. She said OANO provides public policy alerts to members on issues such as the Give Act that is now before Congress that would increase the mileage rate that volunteers can claim on taxes.

Ms. Williams said that 30 nonprofits have completed the Standards of Excellence certification process which is a peer review process that looks at various operational areas of an organization. She noted that there are resources for nonprofit organizations through LINK Ohio, a web-based resource that OANO, the State Bar Foundation, the offices of the AG and Secretary of State, and other volunteers came together to assemble. The site includes resource materials on sample policies, training and other useful information.

- VII. Annette Hoelzer of SS&G shared her CPA perspectives on the recent changes the IRS has made to the 990 form, the required tax return for nonprofit organizations. The changes will be phased in based on the size of the organization. But she said that nonprofits should be preparing now for the return that they will have to file next year.

The changes will force nonprofits to report on various operational issues within the organization, including policies and practices on whistleblowing issues, compensation policies and other areas that do not seem related to tax issues. Because of the broad scope of the questions, groups will not be able to rely on their auditors to fully complete the tax forms.

She said there are multiple narratives in the new form and developing an approach to those narratives will be important for nonprofit leaders. She said that the committee of the Ohio Society of CPAs estimated that the new form may triple the amount of time and effort that it takes to complete the filing.

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Council members expressed grave concerns about the impact on nonprofits that will face those growing costs.

Ms. Woloshyn noted that she had been tracking the various drafts of the 990 changes and believes that the IRS changes are targeted toward hospitals, higher education, large foundations and other large nonprofit entities. So while the emphasis might be on 2 percent of the nonprofits, 98 percent will be saddled with the headaches and frustrations of the expanded forms, she said.

Ms. Hoelzer said that the IRS said that its goals were reportedly to increase transparency, create more accurate reporting within the nonprofit sector and to make it easier for the nonprofit community.

Mr. Matesich worried that the complexity of these changes will have a chilling impact on the willingness of community leaders to serve on nonprofit boards.

The Council discussed the various challenges and unexpected consequences of some of the changes. It suggested that the Attorney General's office use its web page and other resources to alert the state's nonprofit community of these upcoming changes. They suggested pulling sample policies together from various resources and making them available on the web page.

- VIII. The Council had a discussion about next steps. It was determined that the next meeting would center around the development of recommendations and strategies. Those with specific ideas on topics that should be developed as priorities were asked to share thoughts in advance with Ms. Short. There may be efforts to poll the group prior to the next meeting on priorities so that resources could be gathered. The next meeting will be 10 a.m. until 2 p.m. on Nov. 12.
- IX. Meeting was adjourned.

Respectfully Submitted,

Beth Short