

# THE ROLE OF CHARITABLE NONPROFIT ORGANIZATIONS IN IOWA

## REPORT OF THE GOVERNOR'S TASK FORCE



2005

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- Thomas Wilson – President, Family Services League, Davenport







# The Role of Charitable Nonprofit Organizations in Iowa

Report of the  
Governor's Task Force 2005

"Never doubt that a small group of thoughtful, committed citizens  
can change the world. Indeed, it is the only thing that ever has."

— Margaret Mead



THE UNIVERSITY  
OF IOWA

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# I. Introduction

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## A. Task Force Mission

Even in an era of globalization, we live our lives locally. Iowa's citizens, volunteering in thousands of charitable nonprofit associations, build our communities. Through these associations, Iowans on their own initiative address local needs, formulate values, and take action. Our charitable nonprofit organizations range across the broad spectrum of daily life including religion, health, social service, education, culture, community development, housing, and human rights. Many are small and financially fragile. Yet they are vital factors in making Iowa a great place to work and live. Without these crucial community associations, Iowa cannot advance economically and socially.

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 communities throughout the state." The Governor charged the Task Force to identify the barriers to achieving the charitable nonprofit sector's full potential and to develop and submit a set of recommendations describing how charitable nonprofit organizations can be more effective in their operations and how their services can be enhanced through collaborations with the business community and government entities. Finally, the Task Force was directed to recommend methods to increase citizen involvement in nonprofit activities throughout the state.

The Task Force consisted of twenty-three individuals including four legislators and representatives of the Offices of the Governor, Secretary of State, and Attorney General. In addition, the Task Force received insightful counsel and major assistance from individuals. Task Force

members are listed on the inside front cover and consultants are listed on the inside back cover.

The Task Force in its entirety held four day-long sessions. Individual members sought opinions through regional meetings or smaller sessions with nonprofits in their communities.

**The Task Force focused on 501(c)(3) charitable nonprofit organizations.**

## B. Profile Iowa Charitable Nonprofit Sector

In August 2004, the Office of Secretary of State reported that 23,784 nonprofit corporations were created under the Iowa Nonprofit Corporation Act. There were an additional 676 out-of-state nonprofit corporations authorized to operate in Iowa as "foreign corporations." Among these numbers are labor unions, social organizations, and a variety of other specialized nonprofit corporate entities. **The Task Force narrowed its focus to charitable purpose organizations including religious bodies which are recognized as tax exempt under Section 501(c)(3) of the U.S. Internal Revenue Code.**

As of April 2004, there were 11,935 Iowa charitable nonprofit organizations registered with the Internal Revenue Service as 501(c)3 tax exempt organizations. Of those 9,538 or 79.9% had revenue of less than \$100,000 a year, and only 2,190 of that group had income of \$25,000 or more that required filing IRS Form 990. Of all Iowa 501(c)3 organizations filing 990 returns 90% had annual revenue of less than \$500,000. The largest nonprofit Iowa organizations are health and education related, totaling 72% of the gross receipts reported on Form 990. The vast

majority of Iowa charitable tax exempt organizations are small and struggling. Nonprofit revenue is derived from multiple sources, primarily from fees for services rendered and government sources including federal grants and contracts and local tax revenue. Private contributions represent about 20% of the revenue of tax exempt organizations.

Iowa charitable nonprofit organizations do much with little funding. They are committed to doing good — well and responsibly. The majority of Iowa charitable organizations have six or fewer employees. Staff compensation is very low compared to the business and government sectors and often does not include health and other fringe benefits. Little or no funds are available for training. This does not deter staff from improving their effectiveness and efficiency. Their commitment to serving the public sets an example for all Iowans.

See the Appendix for The Iowa Charitable Nonprofit Sector Statistics Report compiled by the National Council of Nonprofit Associations and the Larned A. Waterman Iowa Nonprofit Resource Center. The report summarizes data on Iowa and illustrates the vital role charitable nonprofit organizations play in Iowa.

The primary sources for this data are the 2002 annual reports filed with the IRS by charitable nonprofits with over \$25,000 in gross annual receipts and employment records collected by the state's employment security office. Some highlights of the report are:

- There were 3,459 reporting charitable nonprofits in Iowa in 2002.
- Reporting charitable nonprofits had \$7.3 billion in expenditures in 2002, almost

8% of the Gross State Product in Iowa.

- The value of assets held reached \$17.4 billion in 2002, which is a 215% increase from \$6.8 billion in 1992.

A 2000 survey of 119 Iowa charitable nonprofits including foundations identified the following challenges.<sup>1</sup>

- Financial
  - Reduced (and inadequate) government support
  - Increasing fundraising competition
  - Building security through endowments
  - Managing/Administering finances
- Service Provision/Operations
  - Employee turnover
  - Facilities management
  - Collaboration and Consolidation
  - Keeping up with technology
  - Building awareness for the cause
  - Volunteer recruitment
- Governance
  - Structuring board activities
  - Recruiting and training board members
  - Measuring/evaluating results and impact
  - Mergers and Acquisitions/Collaboration

<sup>1</sup> Report on the Survey of Iowa Nonprofit Organizations. September 2000. The Iowa Nonprofit Resource Center at the University of Iowa.

# II. Task Force Recommendations

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The goals developed by the Task Force are listed under five categories followed by a brief commentary and recommendations on the steps necessary to achieve the goals. They are addressed to the charitable nonprofit, business and government sectors at both the state and community levels.

## A. Sector Identity/ Communications

Goal: Identify and evaluate Iowa charitable nonprofit sector.

Goal: Enhance public awareness about the Iowa charitable nonprofit sector.

Comments:

Even as our daily lives depend on these voluntary associations, Iowans are not fully aware of the total impact of the charitable nonprofit sector on our communities and state. It is essential that we understand the basic role of Iowa's vigorous charitable sector. We should actively support this sector at all times, especially in times of economic stress when sector services are essential.

Recommendations:

1. Develop a comprehensive database on all Iowa charitable 501(c)(3) nonprofit organizations.
2. Create and publish with the Iowa Department of Economic Development an annual charitable nonprofit sector report on economic and programmatic impact of the charitable nonprofit sector statewide while enabling local communities to create their own local report.
3. Develop a community vitality index.
4. Support research on the Iowa charitable nonprofit sector through Iowa's col-

leges and universities and government agencies.

5. Present Annual Awards of Recognition to outstanding charitable nonprofit organizations and donors as well as volunteers.
6. Initiate a statewide public information program.
7. Create a Council of Charitable Nonprofits to promote the charitable nonprofit sector and advise the Larned A. Waterman Iowa Nonprofit Resource Center.
8. Encourage and educate board members to be public advocates for their organizations and the entire charitable nonprofit sector at both local and state levels and to connect with government and businesses as well as donors and the general public.

## B. Collaboration

Goal: Increase active involvement of the charitable nonprofit sector in Iowa and local communities.

Goal: Strengthen charitable nonprofit sector capacity through peer collaboration.

Goal: Partner with business and government in community building.

Comments:

Americans associate together at the local, regional and state level through business, government, and charitable nonprofit organizations. Each sector and each organization has a particular role to play in American life. At the same time much more can be accomplished when the organizations collaborate both within each sector and across sectors. Collaboration requires open attitudes toward cooperation in order to provide better public service,

## II. Recommendations, continued

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putting the public's welfare above territorial defensiveness. Collaboration takes many forms. For example:

Collaboration between charitable nonprofit organizations and government.

1. Collaboration can be mandated by law as is the case with the Iowa Community Empowerment Act (Chapter 28 Iowa Code) where governmental and nonprofit agencies "... work together to improve the efficiency and effectiveness of education, health, and human services provided to families with children from birth through age five years."
2. Collaboration results from government funding of charitable nonprofit organizations to achieve public ends. One example is federal and/or state block grants to local charitable nonprofits. Another example is local funding of charitable nonprofits for community development.
3. Collaboration between governmental agencies and charitable nonprofit organizations for community planning and implementation of programs.

Collaboration between business and charitable nonprofit organizations.

1. Collaborations between business associations such as chambers of commerce and economic development corporations to advance the local economic and civic environment.
2. Collaborations between business and charitable nonprofits to provide reciprocal services such as:
  - a. Child care for employees of business.
  - b. Financial and computer services

- c. Open business management training programs to charitable nonprofit executives.
- d. Loaned employees and encouragement of employee volunteerism.

Collaborations between and among charitable nonprofit organizations.

1. Joint fundraising such as United Way, Iowa Shares, United Arts Funds.
2. Joint management services such as purchasing, technology, financial, facilities.
3. Joint marketing such as cultural alliances.
4. Joint program planning and service delivery in common fields such as children and elder services.

### Recommendations:

#### 1. Statewide

Government and Charitable Nonprofits:

- a. Designate a staff member in each state agency to serve as a liaison with operational charitable nonprofits performing services in the same field in order to promote collaboration with respect to policy making and grant requirements.
- b. Expand grant and contract eligibility of small charitable nonprofit organizations on condition that they provide adequate accountability.
- c. Create a board bank of names of charitable nonprofit board members and staff who are qualified to serve on state boards in order to assure representation of the charitable nonprofit sector in state government.

## II. Recommendations, continued

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- The Iowa charitable nonprofit sector needs to develop a list of qualified persons for the use of the Governor's Office in making appointments.
- d. Focus and coordinate efforts in the Department of Economic Development for its various activities involving charitable nonprofit organizations whose health, social service, environmental, and cultural missions are essential to economic and community development in Iowa, including publishing a report annually on economic and social impact of charitable nonprofit sector on Iowa.
  - e. Encourage the Larned A. Waterman Iowa Nonprofit Resource Center to continue its efforts with the Governor's Office to work with the White House Office for Faith-Based and Community Initiatives and to identify and be in touch with the faith-based community in Iowa.

### Business and Charitable Nonprofits:

Include representation from the charitable nonprofit sector in statewide business associations concerned with the advancement of Iowa.

### Charitable Nonprofits Together:

- a. Develop advocacy and information network of statewide associations of charitable nonprofit organizations focused on sector-wide matters of concern.
- b. Hold annual statewide meeting of sector-wide charitable nonprofits.
- c. Publish quarterly newsletter addressing sector wide matters of concern.

## 2. Local or Regional

### Government and Charitable Nonprofits:

- a. Involve the charitable nonprofit sector in community planning and needs assessment.
- b. Include representation from the charitable nonprofit sector in economic development efforts.
- c. Assure representation from the charitable nonprofit sector on local government boards.

### Business and Charitable Nonprofits:

- a. Encourage cooperation between the charitable nonprofit sector and chambers of commerce.
- b. Promote active involvement of the charitable nonprofit sector in economic development efforts.

### Nonprofits Together:

- a. Creation of local or regional roundtables of community charitable nonprofit organizations to provide an educational and advocacy forum.
- b. Develop a local charitable nonprofit speakers bureau that can provide information on the role of the charitable nonprofit sector in the community.
- c. Identify charitable nonprofit board members and staff to represent the charitable nonprofit sector at governmental and civic meetings including city/town council, county supervisors, chamber of commerce and economic development bodies.
- d. Develop mechanisms for collaborations between and among charitable nonprofits which will enhance their

## II. Recommendations, continued

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efficiency and effectiveness in the delivery of services.

- e. Maintain contact with print and electronic media including providing material for a regular nonprofit column and feature stories.

### C. Philanthropy

Goal: Build citizen support of charitable nonprofit organizations.

Comment:

The commitment of personal time and money in service of others is the hallmark of American life. For many it is faith-based on the teachings of virtually all religions to “love one’s neighbor”. In the United States we have traditionally made that commitment through voluntary community charitable nonprofit associations because of our individualism and our aversion to governmental intrusion in our lives.

Voluntary charitable community associations include service delivery charitable nonprofit organizations and grant making organizations such as private and community foundations and fundraising collaboratives like United Way. This organized marshaling of the time and funds of individual citizens is called philanthropy.

The cyber revolution has not diminished our need for one-on-one contact. People give to people. When queried as to why they volunteer and give, people reply, “Because someone asked”.

Government has supported voluntary charitable community organizations through tax and grant making policies which encourage individuals to give of their time and money.

### 1. Volunteers - Gift of Time

Recommendations:

- a. Urge employers and human relations staff in business and government to treat sustained and assessable volunteer service as prior employment in the same manner that paid work is evaluated.
- b. Articulate the role of non-board member volunteers in the operations of a charitable nonprofit organization. Charitable nonprofit organizations should respect the vital, albeit special, role of able and committed volunteers in carrying out the mission of the organization by affording them an opportunity to participate as partners rather than as adjuncts in charting and conducting the course of the organization.
- c. Enlarge and diversify the pool of active community volunteers. We applaud the efforts of the Iowa Commission on Volunteer Service to work with the Department of Elder Affairs in the recruitment of senior citizens to serve as volunteers. In the case of youth, expand community service opportunities at all levels of education. Through faith-based and other local community groups reach out to diverse ethnic and religious groups.
- d. Urge postsecondary educational institutions to develop volunteer training programs to show how local charitable nonprofits can be more effective in recruiting, training, utilizing, and honoring volunteers.
- e. Honor volunteers. Publicize the new Governor’s Award for outstanding

- volunteers in the charitable nonprofit sector. Expand local volunteer recognition programs.
- f. Cite the rate of volunteerism as an indication of community vitality when recruiting new business and assessing community strengths.
  - g. Recognize and support the vital role of National Service programs in advancing volunteerism in Iowa. These programs are administered through the Iowa Commission on Volunteer Service and include AmeriCorps, VISTA, Seniorcorps (Foster Grandparents, RSVP and Senior Companions), Citizens Corps, and Learn and Serve America.

## 2. Donors - Gift of Funds

### Comment:

As a general rule, volunteers donate more generously to charitable organizations than non-volunteers. That point is well illustrated in the case of Utah which is estimated to have the highest percentage (49.9%) of its population who volunteer and which ranks second nationally in the average charitable itemized contribution (\$5,596). That same parallel does not currently exist in Iowa, which ranks fourth in percentage of its citizens (40.3%) who volunteer but ranks 44th among the states in the average charitable itemized contribution (\$2,787).<sup>2</sup>

### Recommendations:

- a. Continue to support and expand Endow Iowa as a means to encour-

- age Iowans to invest in the future of the communities in which they have lived and worked. Endow Iowa is a nationally unique program to retain wealth in the state through the use of tax credits, grants and gambling revenues through the County Endowment Fund to encourage planned giving to community foundations. Iowa is at the forefront nationally in facilitating the retention of a portion of the intergenerational transfer of wealth in the locality in which it was accumulated.
- b. Appropriate funds to implement the Cultural Trust previously authorized by the General Assembly. Vision Iowa has enabled Iowa communities to build outstanding community cultural and civic facilities. In order to attract major private support for operation of these facilities, the Cultural Trust is designed to provide limited state funded challenge grants to attract significantly greater private donations to support the operation of these facilities. Iowa takes enormous pride in its cultural and civic life as evidenced by the General Assembly's nationally unique mandate that cultural caucuses be held throughout the state every four years.
- c. Encourage legislative action to promote private contributions to individual charitable organizations through tax credits and allowing charitable deductions by non-itemizers.
- d. Seek collaboration among the Office of Attorney General, the Iowa Department of Revenue, the Iowa Department of Economic Development,

<sup>2</sup>Points of Light Foundation State Volunteer Rates: <http://www.pointsoflight.org/about/mediacenter/releases/2004/09-13.cfm> 2003 2004 Generosity Index Catalogue for Philanthropy <http://www.catalogueforphilanthropy.org/cfp/db/generosity.php?year=2004>

## II. Recommendations, continued

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- and the Iowa Commission on Volunteer Service to encourage private giving in Iowa and assure accountability in the solicitation and deployment of private charitable contributions.
- e. Recognize the important role of the voluntary Iowa Council of Foundations in advancing private giving in Iowa including the expansion of community foundations and responsible planned giving promotion through “Leave A Legacy.”
  - f. Update and market regularly the “Guide to Iowa Foundations” published by the Sponsored Program Division of the Office of the Vice President for Research at the University of Iowa.
  - g. Promote cross professional meetings of associations of Iowa fundraising professionals with organizations of Iowa asset planners including financial advisors, lawyers, accountants and bankers in order to make the public aware of the nature of charitable giving and to assure good practices in fundraising and stewardship of gifts made.
  - h. Expand content of seminars on “grant writing” for small community organizations, such as faith-based and ethnically diverse. Emphasize research on grantors, knowledge of grant requirements and reporting, and the persuasive matching of charitable nonprofit and grantor programmatic objectives in order to build grantor confidence in the organizational capacity and accountability of smaller organizations.

- i. Increase state funding and agency contract opportunities for Iowa’s charitable nonprofit organizations.

## D. Effectiveness

Goal: Increase organizational effectiveness.

### 1. Board Recruitment and Training

Comments:

The Board of Directors of an Iowa charitable nonprofit corporation is responsible for the overall management and accountability of the organization. Usually, the board members are unpaid volunteers and represent the diverse constituencies of the organization. The recruitment and development of Board members are a major organizational responsibility and challenge.

Recommendations:

- a. Create local or regional board banks to provide a diverse group of individuals trained as effective board members. This can be done in conjunction with a chamber of commerce leadership program or can be a separate venture. In any event, the board bank needs to be jointly sponsored and endorsed by the local charitable nonprofit, business and government sectors and operated collaboratively through such sector wide groups as the local chamber of commerce, United Way, RSVP, SCORE, community foundation and post-secondary educational institution. Prospective board member training should cover the role of charitable nonprofits in building community, an introduction to the



- diversity of charitable nonprofits in the area, a board member position description and training in how a charitable nonprofit board effectively operates, including how to understand financial statements. The charitable nonprofit organizations themselves need training in how to utilize board members most effectively. This educational program should conclude with a process that matches the newly trained volunteers with local charitable nonprofit organizations in need of board members. For the board bank to be successful, all three sectors — business, government and charitable nonprofit — must actively encourage their constituents to be active in this community building effort.
- b. Cast a wider net for board members. Most chamber of commerce leadership programs focus on younger people who are building careers in business, government and the charitable nonprofit sector. It is also important to enlist as board members older men and women who are an increasing percentage of Iowa's population and also to seek out other board members who reflect the ethnically diverse constituencies the charitable nonprofit serves. As a part of service learning programs, a way should be created to include students in board service.
  - c. Protect volunteer board members from liability for costs resulting from litigation. While volunteer board members who act in good faith and with reasonable care are given statu-

tory protection against legal liability and the charitable nonprofit can indemnify its board members for legal costs, it is recommended that when financially possible the charitable nonprofit should purchase "directors and officers" insurance for its board members. In order to provide access to affordable "directors and officers" insurance, it is essential to create a joint purchasing mechanism which will make this insurance available at a reasonable cost for small charitable nonprofit organizations through reinsurance.

## *2. Human Resources*

Comments:

Charitable nonprofit organizations are people. These people are primarily volunteers — volunteer board members, volunteer service providers and volunteer donors. With the increasing complexities of service delivery and accountability, some paid staff is essential, either full-time or part-time. Unfortunately, charitable nonprofits are not always able to provide compensation and benefits that are competitive with those paid by business and government. Charitable nonprofit employees must depend heavily on the psychic income derived from serving others. They are mission driven which in turn greatly benefits those they serve. But charitable nonprofit employees cannot live on satisfaction alone.

Both the board and the community as beneficiary have the responsibility to support those who serve the public through charitable nonprofit organizations.

## II. Recommendations, continued

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### Recommendations:

#### a. Board

1. Provide a stimulating, flexible and enjoyable working environment which encourages staff initiative, participation, and maximum utilization of staff skills.
2. Give priority to paying adequate compensation to staff. In preparing the annual organizational budget, underpayment of staff should be the last resort in balancing the budget. Staff turnover costs more.
3. 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 find or create a statewide or regional charitable nonprofit health insurance consortium which will make some coverage financially feasible for charitable nonprofit organizations.
4. Provide a budgeted amount, however small, for staff members to take training that will improve their skills and morale. This is particularly necessary if the organization desires to pursue the Iowa Nonprofit Principles and Practices for Charitable Nonprofit Excellence. Being with peers also helps with the stress and burnout that arise in a small organization trying to achieve much with little. Mandatory

vacation time is also essential for staff to recharge themselves.

5. Express appreciation and show respect for work well done in spontaneous ways as well as through formalized recognition awards.

#### b. Community

1. Respect and recognize the exceptional contribution that paid charitable nonprofit employees make to the community. While not in itself sufficient, respect for the work of underpaid nonprofit staff goes a long way. Too often we look down on underpaid charitable nonprofit staff when we should in fact publicly recognize them for their outstanding service to community. Community service recognition awards should specifically include charitable nonprofit employees.
2. Appoint to local civic boards and committees qualified nonprofit employees who will help broaden the technical knowledge and community perspective needed by these civic groups.
3. Encourage nonprofit staff, the staff to participate in community activities, local chambers of commerce and civic organizations.

## E. Accountability

Goal: Set charitable nonprofit educational principles and practices to promote greater effectiveness and accountability.

Comments:

Charitable nonprofit organizations must do good well. Good intentions are not enough. Charitable nonprofit organizations must serve their publics efficiently and effectively in an ethical and transparent manner.

Since charitable nonprofit entities are created under state law, they are publicly held accountable by the State Attorney General and Secretary of State. In 2004, Iowa enacted the Revised Model Nonprofit Corporation Act which describes the fiduciary duties of the board members and officers of Iowa nonprofit corporations. The Act also sets forth the basic operational framework of nonprofit corporations. Tax exempt status is determined by the taxing government, be it federal, state, or local. Charitable nonprofits are also governed by a variety of regulations established by the three levels of governments. All charitable nonprofit organizations must be aware of and comply with applicable law and regulations.

Compliance with the law is not enough. Charitable nonprofit organizations must also function well and ethically. Early in the deliberations of the Task Force, it was agreed to develop a set of Iowa Nonprofit Principles and Practices for Charitable Nonprofit Excellence as a means of educating Iowa charitable nonprofit organizations about the laws and regulations with which they must comply and also to provide guidance about good operational practices and ethical conduct.

The purpose of the Iowa Principles and Practices for Charitable Nonprofit Excellence is to

promote good management practices, ethical conduct, and public accountability for Iowa charitable nonprofit organizations as they perform their crucial community services. The Principles and Practices recognize that good organizational practices are primarily implemented through education and self-regulation. The Principles and Practices are not regulatory. While many of the Principles and Practices will be helpful to all nonprofits, they are specifically written for 501(c)(3) organizations. The Iowa Principles and Practices for Charitable Nonprofit Excellence are intended to be primarily an educational process designed to improve efficiency and accountability. Iowa is enriched by the great diversity of its kinds of charitable nonprofits, and it is recognized that the implementation of these Principles and Practices will take different forms and occur at different levels given the resources of the nonprofits. The Offices of Iowa's Secretary of State and Attorney General will participate actively in the dissemination of the Iowa Principles and Practices to Iowa charitable nonprofit organizations.

In order to promote and revise the Principles and Practices in the future, the Task Force has recommended that the Larned A. Waterman Iowa Nonprofit Resource Center undertake that responsibility in consultation with a broadly representative advisory committee. The Center is developing a set of annotations which cites applicable provisions of Iowa and federal law governing charitable nonprofit organizations and also amplifies how the Principles and Practices can be applied to achieve excellence in the operations of charitable nonprofit organizations.

## *II. Recommendations, continued*

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The annotations are being researched and written under the direction of Richard Koontz, Co-Director and Coordinator of the Larned A. Waterman Iowa Nonprofit Resource Center.

This annotation publication will be divided into four parts:

Part I - The Principles and Practices standing alone.

Part II - Methods by which an individual Iowa charitable nonprofit 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 including

A. Model Annual Report

B. Compliance Checklist

C. Organizational Policy and Practices Checklist

D. Board Compliance Resolution

*We are grateful to the Roy J. Carver Charitable Trust for funding the printing and distribution of this report, The Role of Charitable Nonprofit Organizations in Iowa.*

# III. Future

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## Comments:

The future of Iowa depends upon the vitality of its communities. The vitality of Iowa communities depends upon us, each one of us. Our future depends upon our private associations, both businesses and nonprofit associations. All branches of government at all levels of government need to maintain supportive policies that encourage voluntary action through community charitable nonprofit organizations. Nevertheless, the basic responsibility for community development lies with each of us acting through our charitable nonprofit organizations. We are our organizations, their successes are our successes; their failures are our failures. It is up to each one of us to be an active participant in our local charitable nonprofit organizations to assure the future of our community and ultimately of our state.

## Actions

The Task Force resolves to implement the recommendations of this report by the following action steps:

1. Establish an advisory council on Charitable Nonprofit Organizations. The council will be composed of representatives of the business, government and charitable nonprofit sectors. Its role will be to advance the charitable nonprofit sector, to promote statewide networking of charitable nonprofits, and to advise the Larned A. Waterman Iowa Nonprofit Resource Center.
2. Work with the Iowa Economic Development Department to create and publish an annual report on the economic and programmatic impact of charitable nonprofit sector in Iowa.
3. Create a community vitality index designed to measure the impact of charitable nonprofit organizations on the health and vitality of the community.
4. Develop an award program for outstanding charitable organizations, donors and volunteers in the charitable nonprofit sector administered by the Larned A. Waterman Iowa Nonprofit Resource Center in cooperation with the Iowa Commission on Volunteer Service and Governor's Office.
5. Schedule meetings with the Iowa newspaper and electronic media associations to gain their insight and assistance in creating a state wide charitable nonprofit sector information program.
6. Seek counsel of the business associations to determine how the charitable nonprofit sector executive directors can be included in their management and executive training activities.
7. Meet with Iowa Chamber of Commerce to promote a charitable nonprofit board bank program in every Iowa community.
8. Initiate effort with businesses in the health field to create a statewide or regional health insurance program for Iowa charitable nonprofits.
9. Designate the Larned A. Waterman Iowa Nonprofit Resource Center as the registry for the charitable nonprofits which adopt, have attended trainings in the Principles and Practices, and which possess accredita-

### *III. Future, continued*

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tion and/or licensure from state and national accrediting associations. This information will be publicly available on the website of the Larned A. Waterman Iowa Nonprofit Resource Center.

10. Conduct conferences to explain the Iowa Nonprofit Principles and Practices for Charitable Nonprofit Excellence to board members and staff of charitable nonprofits throughout the state.
11. Publish a quarterly charitable nonprofit newsletter through the Larned

A. Waterman Iowa Nonprofit Resource Center.

12. Expand Larned A. Waterman Iowa Nonprofit Resource Center website to cite examples of charitable nonprofit collaboration and evaluation.

The role of Iowa's charitable voluntary community associations is vital to the future of our communities and state.

# IV. Appendix

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## The Iowa Charitable Nonprofit Sector Statistics Report



## MORE THAN CHARITY

### Nonprofit organizations:

- Bring foundation and federal grants into the state.
- Aid in attracting businesses to locate in communities through direct services and cultural richness.
- Help improve the work force through direct job training programs.
- Provide opportunities for citizens to engage in their communities through volunteerism and civic groups.
- Frequently hire underemployed or unemployed workers.
- Reduce labor force inequalities by working with disadvantaged groups.
- Help define and shape the character of communities and the quality of life.

The charitable nonprofit sector in Iowa is large, diverse and growing. In every county, you will find charitable nonprofits serving citizens and communities, and addressing issues of concern. Iowa's charitable nonprofits range from hospitals to boys and girls clubs, from universities to environmental groups, from emergency shelters to organizations working with the elderly, veterans and the disabled. Charitable nonprofits create a caring community – one that strengthens and enhances the quality of life in our state.

This report summarizes data on Iowa's nonprofits, and illustrates the significant role this sector plays. Much attention is given to the condition of business and government in our state, but let's not forget that charitable nonprofits fill a critical role as a third and independent sector. The primary sources for these data are the 2002 annual reports filed with the IRS by charitable nonprofits with over \$25,000 in gross annual receipts and employment records collected by the state's employment security office.

Through this report we aim to build awareness about the vital role charitable nonprofits play and to educate policymakers, the media, and the public about charitable giving in Iowa. Some highlights of this report are:

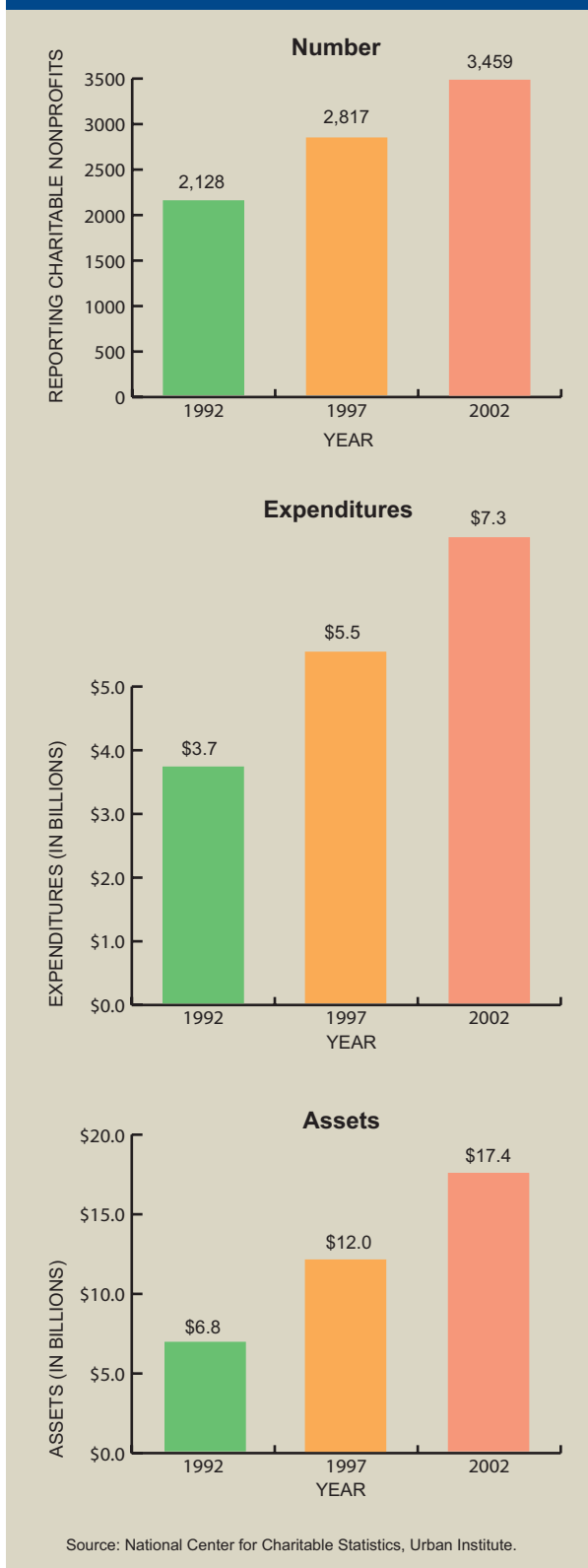
- There were 3,459 reporting charitable nonprofits in Iowa in 2002.
- The 820 foundations in Iowa held \$2.1 billion in assets and awarded \$189.5 million in grants.
- In 2001-2002, the average charitable deduction for itemizing taxpayers in Iowa was \$2,361—about 3.5% of their incomes. Both of these figures were lower than the national averages.

Yet these numbers don't tell the whole story. In addition to the reporting 501(c)(3)s, there are almost 7,500 organizations not required to file, including booster clubs, local PTAs, youth soccer, Little League, and numerous other small organizations that are active in our communities, but whose limited finances exempt them from the IRS reporting requirement.

Charitable nonprofits benefit us in ways that can't easily be quantified: as tools for community building, strengthening our social fabric, and improving the quality of life in our state. Iowa residents have and will continue to place their trust in the responsiveness, performance and quality of services provided by these organizations. The Larned A. Waterman Iowa Nonprofit Resource Center developed this report in collaboration with the National Council of Nonprofit Associations and the Urban Institute's National Center for Charitable Statistics, to promote better understanding and appreciation of our state's charitable nonprofit community.

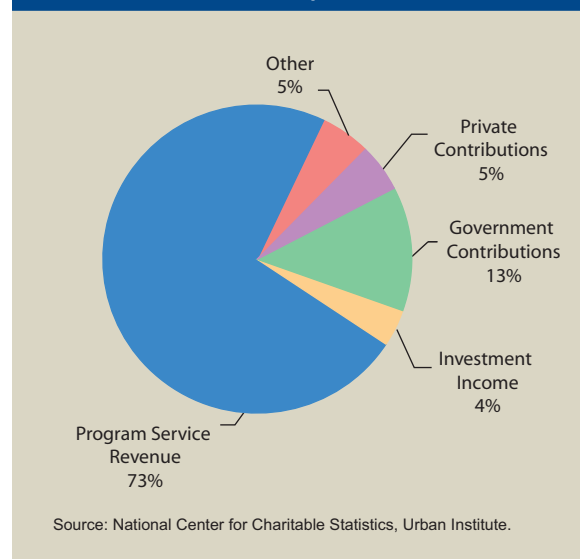


**FIGURE 1 Reporting Charitable Nonprofits in Iowa, 1992-2002**



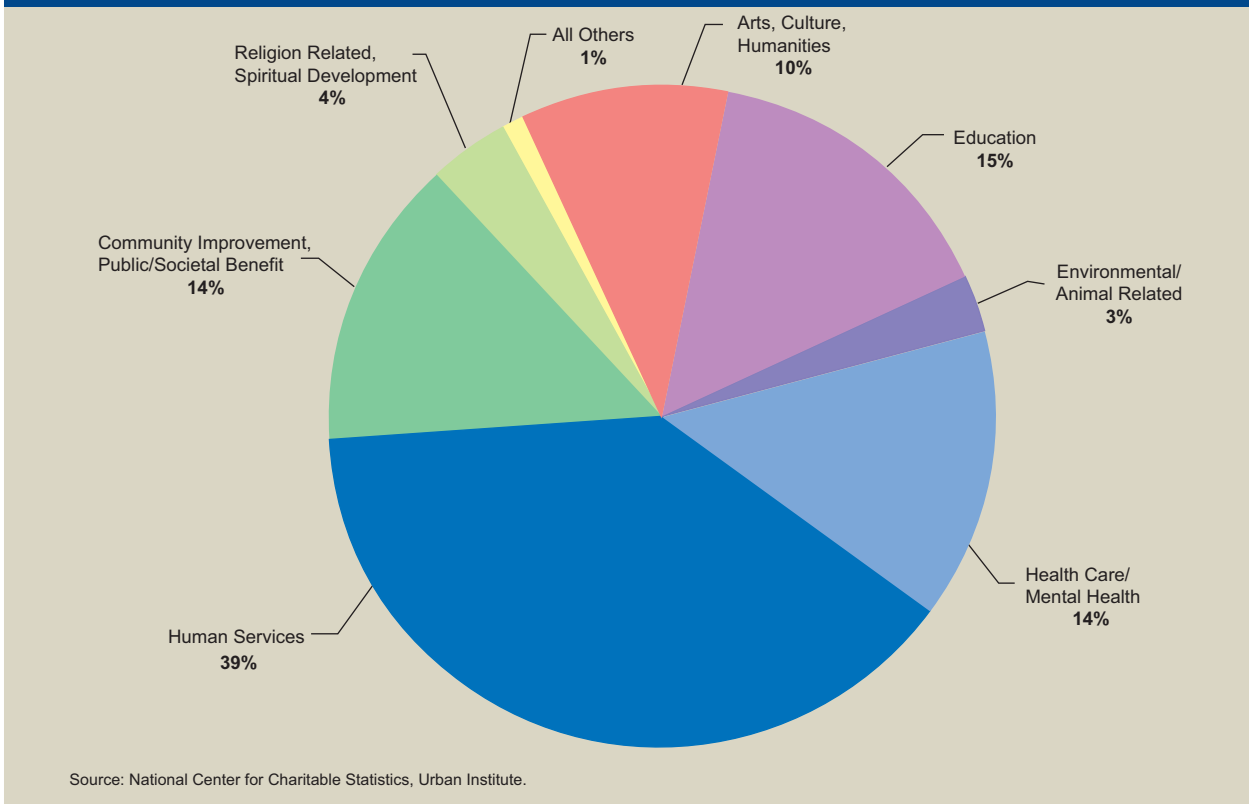
- There were 3,459 reporting charitable nonprofits in 2002 that were tax-exempt under Section 501(c)(3) of the IRS code. (Private foundations are not included but are discussed elsewhere in this report. Religious congregations are not required to report and are also not included) (Fig. 1).
- Reporting charitable nonprofits had \$7.3 billion in expenditures in 2002, almost 8% of the Gross State Product in Iowa (Fig. 1).
- The value of assets held reached \$17.4 billion in 2002, which is a 215% increase from \$6.8 billion in 1992 (Fig. 1).

**FIGURE 2 Sources of Revenue for Reporting Charitable Nonprofits, 2001**



- About 73% of total revenues for reporting charitable nonprofits in Iowa was fees for services and programs (Fig. 2).
- About 5% of total revenue was from contributions made by individuals, corporations and foundations. This is lower than the national average of 14%.

**FIGURE 3 Reporting Charitable Nonprofits in Iowa by Field, 2002**



Human services organizations make up the largest proportion of Iowa’s reporting charitable nonprofits (39%). These organizations provide a broad spectrum of services including youth development, disaster relief, housing services, and family support (Fig. 3).

Education is the second largest field, with 15% of the total (Fig. 3).

Religiously-affiliated charitable nonprofits that provide specific programs, such as mental health services or day care, are placed with organizations providing similar services, not under religion-related.

While 10,824 charitable nonprofits (not including foundations) were registered in 2002 as tax exempt under 501(c)(3), only 3,459 (32%) were required to file an annual report with the IRS because they meet the filing requirement of over \$25,000 in gross receipts (Fig. 4). There may also be charitable nonprofits that are registered but no longer exist.

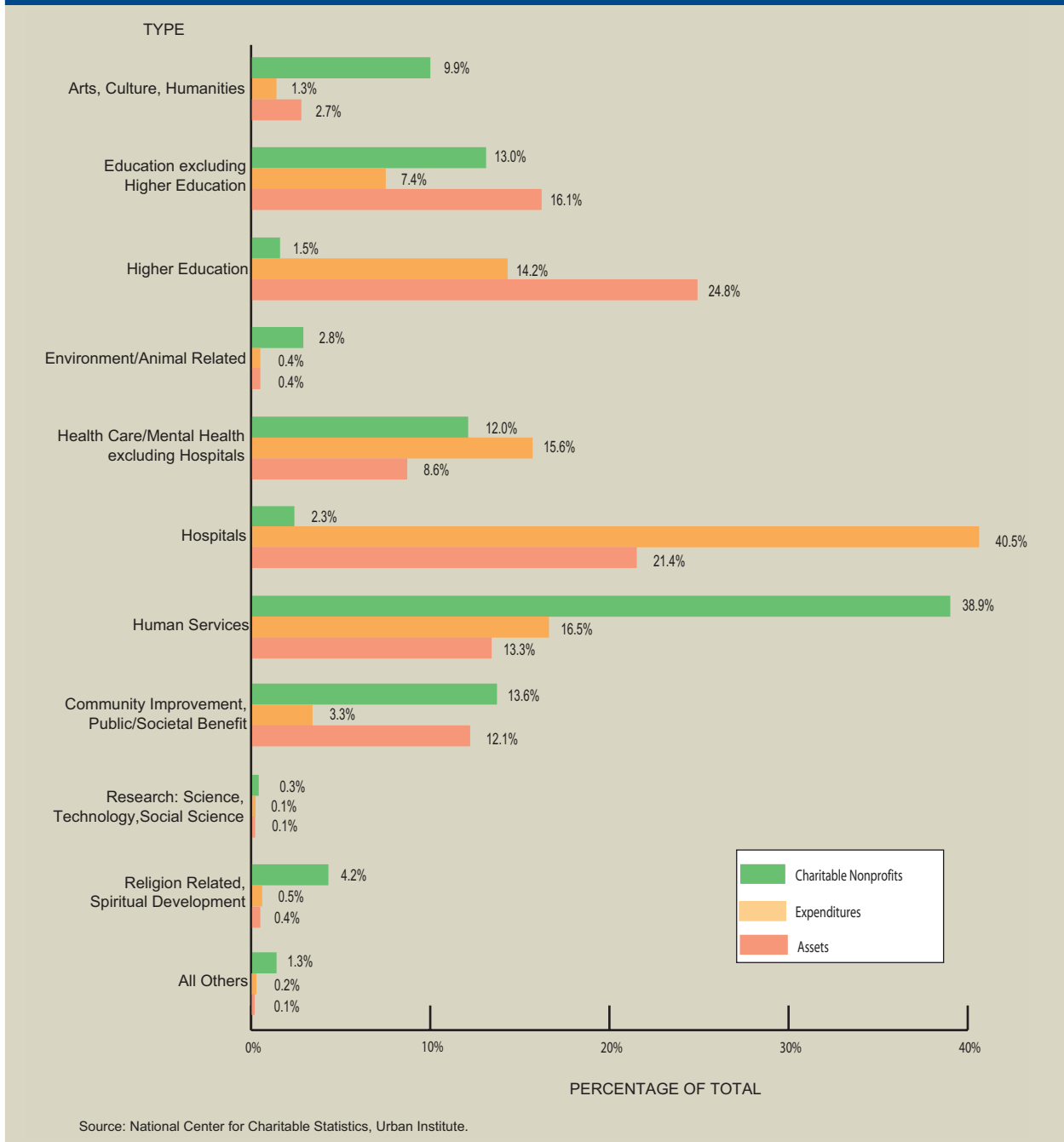
**FIGURE 4 The Iowa Nonprofit Sector, 2002**

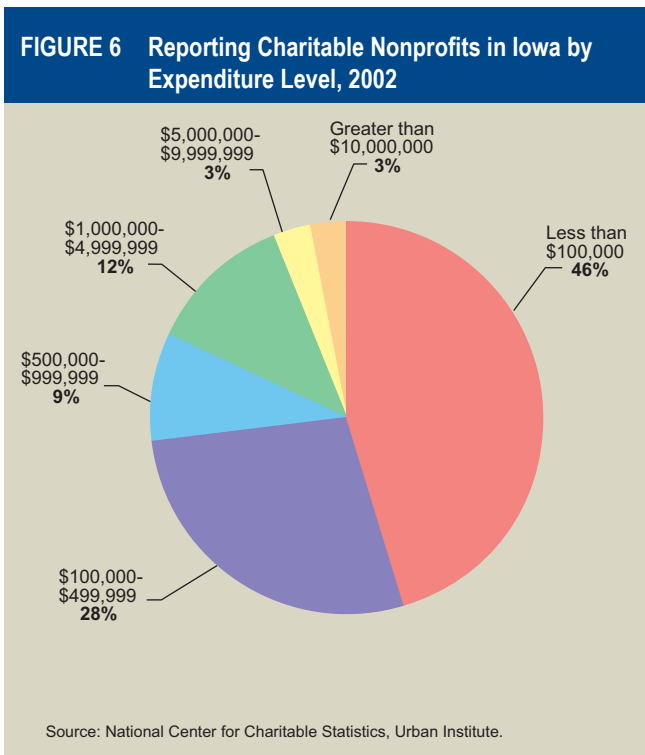
Tax-Exempt Organizations	Registered with IRS (over \$5,000 in gross receipts)	Filing Annual IRS Report (over \$25,000 in gross receipts)
<b>Under 501(c)(3)*</b>	<b>11,644</b>	<b>4,279</b>
Private Foundations	820	820
Charitable Nonprofits	10,824	3,459
<b>Under Other 501(c) Subsections**</b>	<b>13,921</b>	<b>2,477</b>
501(c)(4) social welfare	7,395	620
501(c)(5) labor/agricultural	1,514	459
501(c)(6) business leagues	1,144	507
501(c)(other)	3,868	891

Source: National Center for Charitable Statistics, Urban Institute.  
 \*Does not include religious congregations.  
 \*\*Filing totals based on fiscal year 2003.

- In 2002, Iowa hospitals represented less than 3% of total reporting charitable nonprofits, but they had 40% of total expenditures. Higher education institutions—1.5% of total reporting organizations—had expenditures of 14.2% (Fig. 5).
- Human services organizations, representing 38.9% of the total number, had 16.5% of total expenditures and only 13.3% of total assets. (Fig. 5).

**FIGURE 5 Percentage of Reporting Charitable Nonprofits with Expenditures and Assets in Iowa by Field, 2002**





- In 2002, only 6% (205 organizations) of Iowa’s reporting charitable nonprofits had annual expenditures greater than \$5 million. However, these organizations accounted for over 80% of total assets and 79% of total expenditures (Fig. 6).
- In contrast, 82% (2,840 organizations) had annual expenditures under \$1 million, with 74% under \$500,000 (Fig. 6).
- Not reflected in the chart are the over 7,500 small charitable nonprofits registered with the IRS not required to file. This group includes organizations such as religious groups, youth sports leagues, and rescue squads.

- There were 820 foundations in Iowa in 2002 (Fig. 7).
- The total assets of Iowa foundations were more than \$2 billion and their giving totaled \$189 million (Fig. 7).
- The 820 foundations in Iowa represented 1% of all foundations in the United States (Fig. 7).
- Next page: Eight counties—Dubuque, Black Hawk, Johnson, Linn, Polk, Scott, Story and Woodbury—together have 47% of charitable nonprofits but represent 69% of total expenditures and 69% of total assets (Fig. 8, page 21).

**FIGURE 7 Overview of Iowa Foundations, 2002**

Foundation Type	Number of Foundations	Assets	Total Giving
Independent Foundations	689	\$1,702,702,419	\$144,445,315
Corporate Foundations	58	\$251,941,832	\$32,390,668
Community Foundations	16	\$129,203,193	\$10,209,730
Operating Foundations	57	\$33,761,287	\$2,433,641
<b>Total in Iowa</b>	<b>820</b>	<b>\$2,117,608,731</b>	<b>\$189,479,354</b>
<b>Total in United States</b>	<b>64,843</b>	<b>\$435,190,471,000</b>	<b>\$30,431,799,000</b>
<b>Iowa as % of U.S.</b>	<b>1.26%</b>	<b>0.49%</b>	<b>0.62%</b>

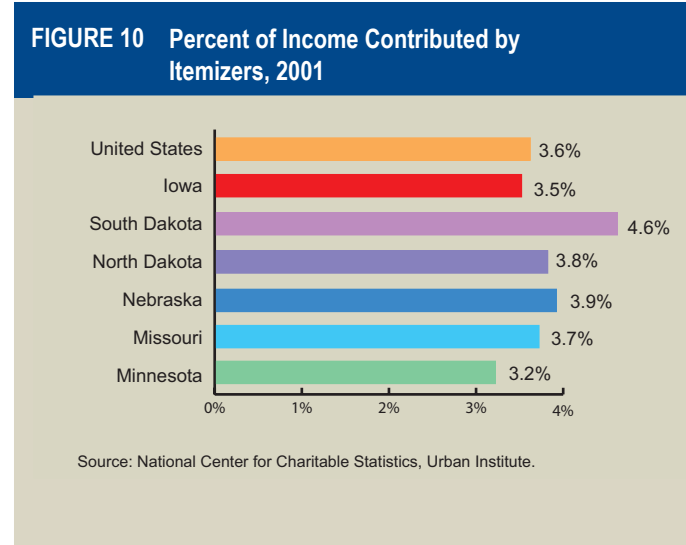
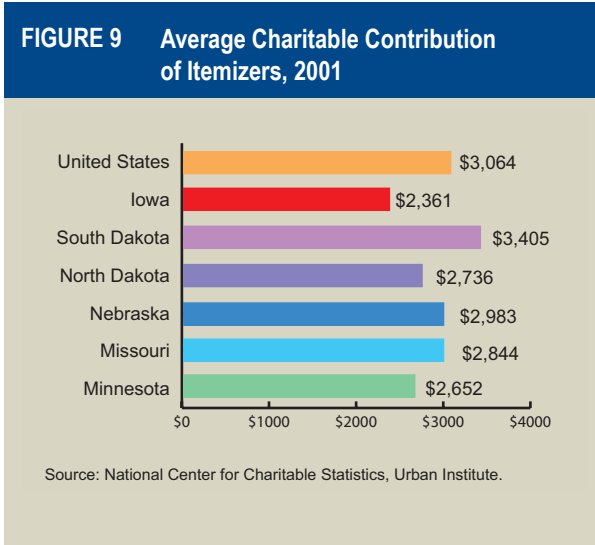
Source: The Foundation Center

**The Foundation Center describes foundations as follows:** Independent foundations are grantmaking organizations. Corporate foundations are independent grantmakers with ties to corporation benefactors. Operating foundations conduct research, provide a direct service, and make few grants. Community foundations pool donations and make grants, usually in a specific community.

**FIGURE 8 Reporting Charitable Nonprofits in Iowa by County, 2002**

County	Number of Organizations	Expenditures	Assets	County	Number of Organizations	Expenditures	Assets
Adair	10	619,797	4,054,365	Jefferson	40	78,021,195	293,099,400
Adams	7	13,264,942	13,629,452	Johnson	162	417,691,921	1,322,233,361
Allamakee	14	6,312,116	5,410,292	Jones	19	13,375,874	29,882,274
Appanoose	20	20,168,374	15,435,455	Keokuk	5	3,127,360	1,559,564
Audubon	5	3,311,276	2,553,572	Kossuth	13	6,828,223	14,754,399
Benton	15	20,391,823	23,458,842	Lee	39	66,447,922	76,921,820
Black Hawk	143	469,932,178	541,446,838	Linn	196	671,747,194	1,216,526,598
Boone	32	24,419,196	59,275,269	Louisa	8	684,151	752,703
Bremer	25	72,018,081	161,881,084	Lucas	7	10,604,952	11,390,794
Buchanan	13	1,348,774	5,965,657	Lyon	8	3,048,118	8,858,242
Buena Vista	14	56,056,354	182,272,914	Madison	10	2,846,444	5,881,846
Butler	7	1,087,609	1,554,700	Mahaska	28	27,340,607	33,453,725
Calhoun	7	22,877,234	25,712,224	Marion	38	59,305,724	177,430,103
Carroll	31	61,135,100	105,708,184	Marshall	53	68,781,136	107,856,684
Cass	21	11,595,610	14,516,710	Mills	7	2,496,925	2,120,267
Cedar	22	6,690,669	15,239,472	Mitchell	8	3,992,876	2,791,152
Cerro Gordo	72	71,114,462	132,476,946	Monona	6	17,254,692	16,705,563
Cherokee	14	18,076,981	32,381,946	Monroe	8	1,801,458	4,712,648
Chickasaw	4	241,536	1,251,775	Montgomery	9	2,052,184	13,145,617
Clarke	7	610,566	7,965,922	Muscatine	63	68,418,387	125,700,300
Clay	24	21,027,874	34,361,786	O'Brien	21	22,567,586	36,145,600
Clayton	15	14,302,970	15,743,087	Osceola	6	6,113,941	10,511,820
Clinton	58	100,353,789	119,348,847	Page	22	29,733,370	34,718,997
Crawford	11	7,040,568	7,234,129	Palo Alto	9	15,583,310	10,048,295
Dallas	47	22,157,744	35,088,857	Plymouth	16	12,713,953	8,300,560
Davis	5	375,586	1,974,738	Pocahontas	8	725,391	704,958
Decatur	6	41,027,242	111,045,273	Polk	592	2,121,547,521	6,521,447,396
Delaware	5	571,263	3,898,369	Pottawattamie	78	40,047,804	154,830,514
Des Moines	58	130,798,060	415,293,874	Poweshiek	31	122,896,984	1,364,293,507
Dickinson	27	6,285,404	30,892,188	Ringgold	3	502,123	1,231,663
Dubuque	128	244,899,528	488,985,493	Sac	9	11,458,281	11,060,571
Emmet	10	16,137,527	24,717,602	Scott	166	789,878,483	978,200,674
Fayette	18	42,054,739	40,614,389	Shelby	20	21,290,843	20,553,787
Floyd	25	14,732,328	15,042,652	Sioux	41	100,349,049	235,492,869
Franklin	11	4,222,304	5,214,709	Story	115	129,681,813	562,046,411
Fremont	7	6,761,766	4,325,027	Tama	12	2,673,095	2,626,839
Greene	11	6,104,954	8,133,455	Taylor	6	1,236,183	905,123
Grundy	8	1,122,393	3,484,806	Union	19	12,308,313	11,424,352
Guthrie	11	3,445,973	3,616,414	Van Buren	3	943,251	152,552
Hamilton	20	2,416,983	6,588,271	Wapello	59	116,907,015	130,421,284
Hancock	9	2,060,771	3,004,593	Warren	34	42,501,852	118,001,786
Hardin	20	16,951,558	22,492,853	Washington	24	14,134,923	32,188,785
Harrison	9	12,087,284	11,556,538	Wayne	10	565,364	3,132,964
Henry	25	19,219,737	33,588,714	Webster	56	130,286,892	193,137,014
Howard	11	6,356,478	6,662,982	Winnebago	23	34,352,139	41,493,363
Humboldt	7	2,154,173	3,243,552	Winneshiek	35	80,224,952	178,017,506
Ida	4	9,139,085	8,212,879	Woodbury	139	310,072,262	478,395,926
Iowa	23	12,003,211	4,058,457	Worth	5	3,638,932	9,349,133
Jackson	12	4,546,817	9,269,347	Wright	21	5,025,898	8,383,350
Jasper	40	22,921,371	27,517,606				

Source: National Center for Charitable Statistics, Urban Institute.



- The average charitable contribution of those who itemized deductions was \$2,361 in Iowa in 2001, below the national average of \$3,064 (Fig. 9).

- The percent of income contributed by these Iowa itemizers was 3.5%, slightly below the national average of 3.6%. Iowa ranks 30th in the U.S. in percent of income contributed by itemizers (Fig. 10).

For details on the methodology for this report, see [http://www.nca.org/\\_uploads/documents/live//SurveyMethodology.pdf](http://www.nca.org/_uploads/documents/live//SurveyMethodology.pdf)

For more information, see

- The Larned A. Waterman Iowa Nonprofit Resource Center (<http://inrc.continuetolearn.uiowa.edu>);
- National Council of Nonprofit Associations (<http://www.nca.org>);
- National Center for Charitable Statistics at the Urban Institute (<http://www.nccs.urban.org>);

The **Larned A. Waterman Iowa Nonprofit Resource Center** is a University of Iowa interdisciplinary collaboration to make more accessible educational and service programs focused on strengthening the operational capacity of Iowa charitable nonprofit organizations. The Center works collaboratively with government agencies, nonprofit organizations and educational institutions. The Center creates new knowledge through activities and provides information and training resources to help charitable 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 charitable nonprofit sector and develops their sense of public and community service.

The Larned A. Waterman Iowa Nonprofit Resource Center ■ 319-335-9765  
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# The Iowa Nonprofit Sector

## Did you know?

- Of the 3,459 Iowa nonprofit organizations reporting over \$25,000 in gross annual receipts to the Internal Revenue Service in 2002, 82% had annual expenditures of less than \$1 million.
- There were a total of 820 foundations in Iowa in 2002.

Learn more about [The Larned A. Waterman Iowa Nonprofit Resource Center](#) inside.



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