



Connecticut Attorney General Blumenthal.

RAISING AWARENESS

These six case studies demonstrate the value and benefits of regional associations and their members engaging policymakers at the local, state and federal levels. PolicyWorks is designed to build the capacity of regional associations by: (1) raising awareness; (2) building skills and systems; and (3) catalyzing action. In doing so, PolicyWorks envisions that regional associations will become valued voices and expert resources on issues critical to philanthropy and society.

- Beyond Tinkering in Education Reform
- Opening the Charitable Spigot
- Building the Bridge
- Striking a Compromise
- Forging a Partnership
- **Supporting Nonprofit Partners**

Supporting Nonprofit Partners

Overview

When the Connecticut Council for Philanthropy's (Council) auditor received an unexpected August 2008 call from representatives of the Connecticut Society of Certified Public Accountants (CSCPA), the conversation was exciting and enticing: approximately 500 of Connecticut's nonprofits could potentially save millions of dollars in annual state-mandated auditing fees.

Those savings could be realized, they said, if legislation passed in the Connecticut State Legislature to increase the then-current audit threshold for nonprofits from annual revenues in excess of \$200,000 to \$500,000 or more.

Would the Council be interested in exploring the potential for getting such legislation introduced by Connecticut nonprofits and the state's Attorney General? asked the CSCPA.

The auditor immediately called the Council's President Nancy Roberts, sparking a series of calls with officials from the Council, CSCPA, Connecticut Association of Nonprofits, Pro Bono Partnership, Appleseed (a nonprofit network of 16 public interest justice centers throughout the U.S.) and Connecticut Business & Industry Association.

Roberts then called a Council Public Policy Committee meeting to seek advice and afterwards reached out to the entire Council membership to obtain buy-in.

When that legwork was completed, the Council Board voted 12 to 1 to proceed with the legislative effort.

Following several months of meetings, calls, advocacy work with state legislators and the Governor's and Attorney General's staff, success was achieved on June 16, 2009 when Governor M. Jodi Rell signed Public Act 09-102, effective July 1, 2009.

"Our efforts paid off in a significant and important financial change for our nonprofits... and make available more charitable dollars for those who are in the greatest need throughout our state," says Roberts.

Attorney General Blumenthal says he was pleased his office was able to play a key role in its formation and passage. "The nonprofit community took the right steps, asked the right questions and worked hard to see this through and their work made the difference."



Connecticut Governor M. Jodi Rell signs Public Act 09-102.

Challenge

On the surface, the proposition to raise nonprofits' audit threshold—potentially saving more than 500 nonprofits an average of \$6,000 in audit fees and \$3 million per year for the sector—had many foundations excited, but cautious, says Roberts.

“But while many thought it was an exciting possibility, there was hesitation on the part of some foundation leaders who raised concerns about the process, including how it would impact the sector overall; what other conditions might be attached in exchange; and what it would take to convince the state legislature to approve the measure,” adds Roberts.

Challenges that could impact and even derail the effort—from nonprofits and foundations—began to emerge as the Council and its partners shared concerns with each other, says Pat McGowan of Kostin, Ruffess & Company and a Council board member.

McGowan, a CPA, initially made it clear that while she agreed with raising the threshold, she was not in favor of attaching a required financial review to the effort “since there is no internal control work done with a review.”

“I favored the concept of ‘agreed upon procedures’ as an attachment to an annual filing because they can focus more on internal controls and can be documented and tracked,” she says.

Priya S. Morganstern, director of Connecticut’s Pro Bono Partnership, told state regulators her organization would support the effort if some financial/administrative/operational review component was put in place in lieu of a full audit. “There had to be some accountability procedure incorporated.”

Karen Brown of the Fairfield County Community Foundation and a Council member, wondered “how, if the threshold was raised, individual nonprofits below that cap would be able to assure funders or the Attorney General’s Public Charities Unit that they were adhering to all contractual, financial and operational rules and procedures for receiving a grant.”

Connecticut Attorney General Richard Blumenthal’s challenge was convincing legislators that raising the audit threshold for nonprofits would make more charitable dollars available for the public good, not result in lax oversight of smaller nonprofits with less than \$500,000 in revenues, and that it would not violate any IRS nonprofit rules and regulations.

“While I saw this as a positive step, there certainly were many legal and political challenges that had to be addressed for it to succeed,” says Blumenthal.

Another challenge was gaining consensus from nonprofit participants.

“There was a lot of tension throughout this effort as some funders raised legitimate concerns and questions all along the way,” notes Roberts. “All had validity; all needed to be addressed and we did that.”

“Our efforts paid off in a significant and important financial change for our nonprofits...” —Nancy Roberts



Connecticut State Capitol in Hartford.

Strategies

The Council saw this effort as integral to its mission of promoting effective philanthropy.

“This was an opportunity to demonstrate the ability of the funding community to come together on an issue and demonstrate they were finding ways to help the nonprofit organizations in difficult economic times,” says Roberts.

Strategic planning was built around the Council’s capacities, she added, which included:

- Good connections and long term relationships with necessary partners
- An active and experienced Public Policy Committee
- A commitment to getting board and member input and buy-in
- An established culture of communicating via email with members

Sharing the pros and cons of the proposed effort with nonprofit leaders around the state, obtaining feedback and including key leaders in the decision-making process were essential to the Council’s success, says attorney J.C. David Hadden of

Robinson and Cole LLP, a past Council board member and current Council Public Policy Committee member.

“We made sure no one was excluded and all opinions and suggestions were welcomed,” Hadden notes.

The Council also gave testimony to the legislative committees with oversight of the legislation and convened meetings with key committee members in both parties, the Attorney General’s and Governor’s staffs and nonprofit leaders.

Engaging experienced political lobbyists and advocates such as Ron Cretaro, executive director of Connecticut Association of Nonprofits, was another crucial strategy, according to Attorney General Blumenthal.

For his part, Cretaro says a critical element of his organization’s strategy was to convince the lawmakers that neither transparency nor accountability would be compromised by adopting the higher audit threshold for nonprofits.

“The IRS had recently released its new Form 990 requiring nonprofits with annual gross receipts of more than \$25,000 to supply enough information to ensure compliance at many levels,” says Cretaro.

Another important hurdle to clear was reassuring foundations and the state that if enacted, the new law would still permit them to require full audits from grant applicants, according to David Davison, president of American Savings Foundation and a Council board, Public Policy Committee and council member.

The law also requires nonprofits that use paid solicitors to register and file annual reports with the Connecticut Department of Consumer Protection and allows the Consumer Protection commissioner to reduce or waive late fees and to waive audit requirements for individual nonprofit organizations.

Results

All the strategic planning and hard work paid off when the Senate and House bills containing the provision to increase the nonprofit audit threshold from \$200,000 to \$500,000 quickly passed and landed on the supportive governor’s desk as Public Act No. 09-102.

The new law is being hailed by smaller nonprofit organizations as a financial windfall that is much needed at a time when the nation’s economy is floundering and state and federal funding is drying up for social service programs to help the homeless, unemployed, children and many others in need.

As New Haven Mayor John DeStefano Jr., says, “No longer are thousands of dollars being diverted from an individual nonprofit’s core mission. This is one everybody got right.”

As New Haven Mayor John DeStefano Jr., says, “No longer are thousands of dollars being diverted from an individual nonprofit’s core mission. This is one everybody got right.”

Response From Policymakers

Connecticut Governor Rell calls Public Act 09-102 “a common-sense law that will help the nonprofit sector while also helping the citizens of our state who need the vital services they provide.”

Attorney General Blumenthal says he was pleased his office was able to play a key role in its formation and passage. “The nonprofit community took the right steps, asked the right questions and worked hard to see this through and their work made the difference.”

State House Representative and House Majority Leader Denise Merrill noted, “There was very little opposition to this legislation because it was well researched and presented. The bottom line is there are plenty of checks on the nonprofit sector, including by the IRS, and it just made sense to raise the audit threshold and free up their nonprofit funds for better use.”

DISCUSSION QUESTIONS

- 1) What policies and procedures need to be in place to guide our regional association when it is presented with an opportunity to support new legislation?
- 2) What role should our regional association play regarding proposed legislation when the members and/or other key stakeholders *cannot* reach consensus?

KEY LESSONS FOR SUCCESS

Forming and utilizing a robust Public Policy Committee to guide and advise on any actions of the organization opens the door for informative and strategic conversations and even critical debate, says the Council’s McGowan. “It’s all healthy in coming to a good decision.”

- ➔ Create a robust Public Policy Committee
- ➔ Meet with members and nonprofit leaders to share information, discuss pros and cons, and get feedback and buy-in
- ➔ Meet with members to share information, get feedback and buy-in
- ➔ Tap regional association’s expertise for research, communication and advocacy needs
- ➔ View your organization as a consensus builder
- ➔ Build strategy around the regional associations’ strengths, e.g., facilitation, broad-based relationships
- ➔ Conduct rigorous due diligence on proposed legislation in order to present the best case
- ➔ Build relationships ahead of time with government, community leaders
- ➔ Conduct one-on-one meetings with important players when possible

PolicyWorks FOR Philanthropy

Helping Regional Associations
Engage Policymakers

POLICYWORKS FOR PHILANTHROPY seeks to build the capacity of regional associations of grantmakers’ staff, board and volunteer leaders to engage policy makers in support of a vibrant and effective philanthropic sector. The 20 regional associations participating in PolicyWorks serve more than 3,000 foundations and corporate giving programs in 39 states. Policy work includes: government relations—related to legislation and regulations affecting the work of charitable foundations; and public policy engagement—supporting the achievement of charitable foundations’ grantmaking goals.

PolicyWorks is led by the Council of Michigan Foundations (fiscal agent), Donors Forum (Illinois), Grantmakers of Western Pennsylvania, Northern California Grantmakers, Ohio Grantmakers Forum and Philanthropy New York and funded by the William and Flora Hewlett Foundation and the Charles Stewart Mott Foundation. PolicyWorks partners include the Communications Network, Forum of Regional Associations of Grantmakers and the Philanthropy Awareness Initiative.