

Voice's From the Crowd: Have You Hugged a Nonprofit Today?

By Jim Tierney

A recent post on the Voice web site suggested: that with Bill Haack out of city government it was time to audit CAT (Community Action Team.) This appeared to me to be an appeal for a final flood recovery report, with some scrutiny to be certain that large sums of public money have been handled correctly. As for the flood report, Dan Brown and I have done a number of interim reports to the City and County. We have also been planning a final, celebratory report, but are waiting for a couple of final work items to fall into place. The highlights of that report will be \$30 million of completed projects flowing from the partnerships forged in the first weeks after the 2007 flood. It will describe the courage and leadership shown by our elected leaders, the state staff, County, City and CAT Boards/Council.

As for accountability for the vast majority of the funds, CAT was actually the hired program manager for the County and the actual funds did not flow through our accounts. However, the appeal for accountability is a familiar one, making this an opportunity to help the writer and others know what scrutiny already occurs for nonprofits like CAT, and what resources are out there for the curious to learn about specific nonprofits.

Since nonprofits are the fastest growing segment of our economy, it is important that the public have a way to know they are not abusing their public trust. Unfortunately, this "Third Sector" of the American economy is poorly understood. When most of us talk about a nonprofit, we typically mean a charitable nonprofit. The usual stereotype is a

group of volunteers coming together to meet a specific community need. In Vernonia, good examples of this type of nonprofit are Vernonia Cares, the Senior Center or the Grange.

In addition to these locally important nonprofits, America has evolved an entire class of nonprofit businesses, some of them very large, to efficiently deliver a wide range of critical regional, state and even nationally needed services. Great examples of this class of nonprofit would be the Red Cross, Habitat for Humanity or the last hospital you entered. Other examples are art museums, many colleges and research institutions. Collectively these nonprofits contributed almost a trillion dollars to the economy last year making up more than 5% of the US Gross Domestic Product. More than 10% of American workers are employed by nonprofits. This does not include the more than 28% of American adults who provide volunteer labor for at least one nonprofit every year.¹ These mostly mild mannered nonprofits control \$2.7 trillion in wealth. To put that huge number in perspective, it is roughly 3 ½ times the wealth of all American billionaires, combined.

All or most of these nonprofits are "charities." Not all nonprofits are charities. The difference is whether donations are tax deductible. That is why the IRS designates an organization charity under its Section "501(c)3." It is easy to form a nonprofit – a set of incorporation papers off the internet, three friends, a computer and \$50 is all it takes. It is the IRS designation which is hard to get, and harder to maintain.

Simply forming a nonprofit under

Oregon law by itself brings scrutiny. It means that the Oregon Department of Justice will require financial reports and exercise oversight intended to assure that your nonprofit does not generate profits and that neither the executives nor the board are looting the corporation. This scrutiny includes adherence to the requirement of the Sarbanes-Oxley legislation passed after the Enron and Global Crossing scandals. For those of you with an insatiable appetite to learn more about this wonky stuff, surf the website of Hurwit & Associates, a law firm with a specialty in nonprofit law. It will give the inexperienced a flavor for the regulations and hoops nonprofits routinely negotiate, especially if they use state and federal funding: http://www.hurwitassociates.com/l_s_annual_or.php

All nonprofits above a minimal size are required to make their financial statements available to anyone who asks. The website of the Foundation Center provides an online search tool that will find the 990 (the "tax return") for virtually any nonprofit in the country: <http://foundationcenter.org/findfunders/990finder/>. For the larger nonprofits, this 990 is the final, condensed product of an audit, typically performed by an outside, independent CPA firm. In CAT's case, we must hire an independent auditor which owes its allegiance to our board and the state, not to CAT's management. Such auditors are heavily regulated themselves, including the same Sarbanes-Oxley legislation, among others. These auditors systematically (over time) dig into all the programs in an organization and are looking for exactly what the

Voice comment suggested. They examine programs and spending for compliance with funder requirements and the law. The auditors also examine an organizations accounting and procedures, looking for compliance and needed improvements. Just as it sounds, these audits are not quick. These audits take weeks of CPA time to complete, and if they must be as detailed as CAT's, easily cost \$40,000.

At their best, nonprofits provide needed services that government and the private sector cannot. Sometimes, like Goodwill Industries, a particularly entrepreneurial nonprofit has found a way to provide employment to a class of people that have been historically unemployable. Other nonprofits are single-purpose entities which act as holding companies for real estate used for charitable purposes. Working for a nonprofit is typically a lot like working for a school. The pay is low, people often show us their worst sides and it often feels like we are "sweeping back the sea." On the other hand, most of us manage to see the change we have made in the lives of people we serve. For me, that has always been the reward.

On my office wall is a bumper sticker I was given by Burlington Northern more than 30 years ago. It says, "HAVE YOU HUGGED A 501 (c) 3 TODAY?" Large or small, these nonprofits are out there, every day trying to make America a better place. Think about it.

1. The Urban Institute: <http://www.urban.org/nonprofits/>

Jim Tierney is the Executive Director at Community Action Team.

Throughout the holiday season many contributions were made to our community out of the generosity in the hearts of others. Vernonia Cares Food Bank would like to recognize the loved ones of our generous friends who made donations as part of our "Caring Tree" project.

In Memory of:

Gary Dinger
Frances Lentz
Carolyn Keasey
Kari Titus
Shawn G. Ostrander
Vicky Crowston
Betty L. Holsey
Virgil Hiveley
Steve Grady & Rick Grady
Roberta "Mama" Wamboldt

In Honor of:

Oso, Robin, Smudge,
Baby Pinky, Honey,
and Lou Lou
Faye Sword
Chris and Kala Cota
Rosie McCoy
Sandy Welch
Dick Light

May this New Year bring peace and health to all in our great community!

Happy New Year from Vernonia Cares Food Bank

