



# How a State Can Enhance Nonprofit Effectiveness

A new report shows what states can do when they take the lead in nurturing the nonprofit sector from the ground up.

By Sandy Boyd

A new report is helping Iowa nonprofits improve their management practices and public accountability. The report came out of research showing that, although most Iowa nonprofits are small and struggling, they're vital in making Iowa a great place to work and live.<sup>1</sup>

Recognizing the crucial role of nonprofits and their need for support, Iowa Governor Thomas Vilsack appointed a task force in 2004 to promote standards to help nonprofits in their work.<sup>2</sup> The task force issued a series of recommendations,<sup>3</sup> including:

- **Create a nonprofit speakers bureau** that can provide information on the sector's role in the community.
- **Form local roundtables** to give nonprofit staff, board members, and other stakeholders a chance to discuss issues of importance to the nonprofit sector.
- **Identify nonprofit board and staff members** to represent the sector at city council and other governmental meetings.
- **Provide material** for media stories highlighting nonprofit successes.
- **Educate board members** to be advocates for their organizations and the entire sector.
- **Support research** on the nonprofit sector.
- **Develop ways for nonprofits to collaborate** with one another to deliver services more effectively.

In addition, the task force created a report setting out principles (fundamentals of effective, ethical management) and practices (methods to achieve the principles) for

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nonprofits to follow.<sup>4</sup> Examples of principles include:

- **Ensure that the organization complies** with statutory guidelines and laws.
- **Be accountable** to the organization's funders, constituencies, and the public.
- **Use open communication** to motivate, inform, and counsel the organization's people.

Examples of practices include:

- **Build public trust** through appropriate financial reporting, open communications, and commitment to ethical behavior.
- **Consider collaborating** with government, business, and other nonprofits to reduce costs and improve operations.
- **Be sure** that communication – including bad news! – flows freely through the board chair and executive director.
- **Create internal controls** so that no single person is responsible for receiving, depositing, and expending funds.
- **Adopt an ethics code**, covering such issues as diversity, fairness, openness, honesty, and professional conduct.
- **Provide board and staff** with regular training in laws, regulations, organizational practices, and ethical principles.

The work of the Governor's Nonprofit Task Force provides an inspiring example of how a state can take a pro-active approach to advancing its nonprofit sector. The task force's report, with its enumeration of principles and practices, will be useful to nonprofits throughout the country as they strive for excellence. ■

## Footnotes

<sup>1</sup>In 2004, the Office of Iowa's Secretary of State reported there were 11,935 Iowa nonprofits registered with the IRS as 501(c)(3) tax-exempt organizations. Of those, 9,538 (79.9%) had revenues of less than \$100,000 a year.

<sup>2</sup>Chaired by Dr. Willard "Sandy" Boyd (director of the Larned A. Waterman Iowa Nonprofit Resource Center), the task force included the Secretary of State, Assistant Attorney General for Charitable Organizations, four members of the Iowa General Assembly, and local nonprofits, with counsel from Lieutenant Governor Sally Pederson.

<sup>3</sup>The task force's report is available at <http://inre.continuetolearn.uiowa.edu/updates/GovTaskForce/Report.pdf>.

<sup>4</sup>*Iowa Principles and Practices for Charitable Nonprofit Excellence*, is available at the Web sites of the Iowa Secretary of State ([www.sos.state.ia.us](http://www.sos.state.ia.us)) and the Larned A. Waterman Iowa Nonprofit Resource Center (<http://nonprofit.law.uiowa.edu>).

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