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Kansas House Judiciary Committee
February 12, 2013

My name is Perry Schuckman and I am the Executive Director of the Kansas Nonprofit Chamber of Service.

The Nonprofit Chamber of Service supports our membership being responsible stewards of public funds. Our code of ethics, which all members must agree to abide by, states; members must "Serve as a responsible steward for public and private resources, operating in a manner that is transparent and in compliance with all applicable auditing and GAAP (Generally Accepted Accounting Principles) guidelines and professional community standards."

There are several ways in which not-for-profit organizations presently account for their expenditures. Organizations that receive public funds enter into a contractual agreement with the funding agency that requires a reporting on their expenditures. These reports are typically available from the funding agency under the Kansas Open Records Law.

Additionally, all nonprofit organizations must file an IRS 990. A copy of the 990 must be available to the general public upon request. And most, if not all, nonprofits that receive public funds have to provide some form of audit on their revenues and expenditures.

And then other nonprofit organizations receive a modicum of public funds derived from revenue generated by events such as conferences and fund raising benefits are reportable to a community board of directors, accountants and the IRS. The public entity may participate in this type of an event for educational or civic purposes. The result of such community engagement by a public entity however will be the requirement that the recipient agency will have to report how these funds are expended and often times events such as this are done for the purpose of boosting an organization's general fund revenues.

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HOUSE JUDICIARY

DATE: 2/12/13

Kansas Nonprofit Chamber of Service
Testimony before the Kansas House Judiciary Committee

February 12, 2013

There are some significant challenges with this present legislation. As mentioned earlier, the first would be an increase in overhead required to post nonprofit allocation accounts online in a searchable database. And not all nonprofits that do receive public funds have the resources to even host their own website under their present funding, particularly the smaller organizations; this particularly applies to nonprofits found in some rural or semi-rural areas of the state in which high speed access is nonexistent. Adding a requirement to add a searchable database to Kansas nonprofit organizations would be at the least onerous.

A second challenge for some Kansas nonprofit organizations would be protecting client confidentiality. This would include the YWCA's that run emergency shelters for battered women at undisclosed locations and other organizations that work with clients who may have their confidentiality risked through such disclosures.

And many organizations that receive public funding do not presently separate out how they expend their public funds from their private resources because the cost to run any particular program often exceeds the public revenue provided and requires private contributions. This legislation would automatically require these nonprofits to include a searchable database on their websites.

If the not-for-profits were required to add a searchable database on their websites it would not only increase their overhead expenses, it would also cause difficulties in preserving some donors who wish to remain anonymous and possibly risk client confidentiality.

I know of few nonprofit organizations that would not open their books to any individual who was to request such information. Already they are required to provide their annual IRS 990 reporting and a copy of their audit where appropriate. And all nonprofit organizations have a community board to which they are accountable.

The Nonprofit Chamber of Service supports the concept of appropriate disclosure that will not cause an unnecessary burden on the organization or jeopardize client or donor confidentiality. Although the present proposal might have some unanticipated challenges, we would welcome the opportunity to work with legislators to find a workable solution to any concerns with nonprofit revenue and expenditures.