

# **BLAIS EXCESS & SURPLUS** **AGENCY OF TEXAS, LTD.**

## **PRESS RELEASE**



**FOR IMMEDIATE RELEASE – MARCH 2, 2005**

## **NONPROFITS' PANEL URGES ENHANCED OVERSIGHT OF CHARITIES, INCREASED TRANSPARENCY**

The Panel on the Nonprofit Sector, a Washington, D.C. - comprised of nonprofit organizations across America, has proposed to the U.S. Senate Finance Committee a series of recommendations to open up the financial operations of charitable organizations to more public scrutiny and improve the federal government's oversight of nonprofits. The panel called upon the nation's 1.3 million charities and foundations to improve their governance and financial disclosure. It also suggested enhancing government oversight of charitable organizations through actions by Congress and the Internal Revenue Service. "This report is a large step on a journey the nonprofit community has been taking for some time," said M. Cass Wheeler, co-convenor of the panel and CEO of the American Heart Association, based in Dallas, Texas. "Charitable organizations touch lives in every part of America and every corner of the world. This set of recommendations demonstrates our sector's continuing commitment to the highest ethical standards, which are vital to maintaining the public trust that enables us to serve the common good." The panel issued an interim report in which it made recommendations in 15 areas, including actions to be taken by the sector itself, by the IRS, and by Congress. The panel encourages all charities and foundations to:

- ⇒ Adopt and implement a conflict of interest policy;
- ⇒ Ensure its board includes individuals with financial literacy skills; and
- ⇒ Develop specific practices and procedures to encourage and protect whistleblowers.

To help make the operations of charitable organizations more transparent to donors, government regulators, and the general public, the panel supports stronger disclosure rules, such as:

- ⇒ Suspension of the tax-exempt status of any organization that fails to file required annual Form 990 series returns with the IRS for two or more consecutive years after notice from IRS.
- ⇒ A requirement that chief executive officers or other high-ranking officials certify that their IRS Form 990 returns are correct and complete.
- ⇒ Mandatory electronic filing of the IRS Form 990 to improve the accuracy and timeliness of information.
- ⇒ A requirement that charitable organizations conduct an independent audit of their finances if they must file a Form 990 return with the IRS each year and have total annual revenues of \$2 million or more.
- ⇒ A requirement that charities with \$25,000 in annual revenues complete an annual notice supplying basic information.

The panel also made a number of proposals about "donor-advised funds," which are special funds administered by public charities in which donors make recommendations on grants. The panel also urged Congress to improve enforcement of existing regulations by encouraging states to incorporate federal tax standards for charitable organizations into state law as appropriate; by increasing resources allocated to IRS for oversight of charitable organizations; and by allowing state attorneys general and other state charity officials the same access to IRS information that state revenue officers currently have. "The leaders of the Senate Finance Committee's have demonstrated their commitment to a thoughtful and systematic examination of methods for improving accountability within the nonprofit sector," said Paul Brest, co-convener of the panel and president of the William and Flora Hewlett Foundation of Menlo Park, California. "That approach also has guided the panel's work. Our preliminary recommendations strike the right balance between self-regulation and government regulation." Convened by Independent Sector, a coalition of approximately 500 charities and foundations, at the encouragement of Senate Finance Committee Chairman Charles Grassley (R-IA) and Ranking Member Max Baucus (D-MT), the 24-member panel was assisted by more than 150 experts and leaders with a wide range of experience in the nonprofit sector. It will follow this interim report with further recommendations in the spring. "The vast majority of nonprofits operate in a legal and ethical manner, but the abuses of even a few affects us all," said Diana Aviv, executive director of the panel and president and CEO of Independent Sector. "This report represents substantial progress toward a policy of zero tolerance for abuses. As we look for solutions we also will be mindful of the importance of preserving the creativity and independence of the sector."

*As a wholesale broker specializing in financial service products, Blais Excess & Surplus Agency of Texas, Inc.'s knowledgeable and experienced staff assists agents/brokers with the acquisition, placement and service of Directors & Officers Liability (D&O), General Partners Liability (GPL), Employment Practices Liability (EPLI), Crime (Fidelity), Kidnap & Ransom (K&R), Errors & Omissions (E&O) and Media Liability products for a variety of industries. Clients assisted include but are not limited to energy, biotech, high tech, financial institutions, profit and non-profit entities, partnerships, healthcare, companies making Initial Public Offerings and companies in the process of merger or acquisition.*

Contact: Philip L. Blais  
[Phil@blaisexcess.com](mailto:Phil@blaisexcess.com)

**Houston Office**  
820 Gessner, Suite 1750  
Houston, Texas 77024  
(713) 780-7787 Phn (713) 780-3533 Fax

**Dallas Office**  
4570 Westgrove, Suite 245  
Addison, Texas 75001  
(972) 818-4090 Phn (972) 818-4088 Fax

**Austin Office**  
P.O. Box 92824  
Austin, Texas 78709  
(512) 894-3460 Phn (512) 858-1266 Fax