

The New Accountability Challenge
The Florida Institute of Certified Public Accountants
Nonprofit Organization Conference
Tampa, Florida
June 7-8, 2004

By David A. Odahowski, President
Edyth Bush Charitable Foundation, Inc.

Good morning and thank you for the introduction. It is my pleasure and indeed, my honor to be part of the 2004 Florida Institute of Certified Public Accountants Not-for-Profit-Organizations Conference. I am pleased to see that we have a mix of certified public accountants, nonprofit executives, regulators, foundations, and board members of public charities and others present at this conference. The new accountability challenge facing the nonprofit sector will require the collaboration of all of us represented at this conference along with the new generation of “informed and engaged” donors to repair, restore, and strengthen the public trust and accountability of our nonprofit organizations.

Let me take this opportunity to thank the FICPA for putting on this conference. At a minimum, it is a requirement of the continuing education process of the accounting profession. Its value as a constructive accountability measure, however, is enhanced by the fact that you have extended the benefits of the conference beyond your profession to all those represented at this conference and to the ultimate beneficiary – the trusting public. This conference is part of a positive response to the new accountability challenge.

Personally and professionally, I want to thank the certified public accountants at his conference not only for their professional skills and ethics in the expanding and complex nonprofit field, but also for their leadership. Many of you may know Jerry Hilbrich, retired managing partner for KPMG Florida and current board member of Edyth Bush Charitable Foundation. Jerry believes that the accounting profession demands community service and leadership. I will never forget his impassioned talks before his associates at the United Way, Community Foundation or other public charity functions. Jerry’s heartfelt speech went something like this.... “Ladies and Gentlemen, we make a good living in this community and we have a responsibility to give back to the community: our time, talent, and treasure, to make our community even better.” I know that the accounting profession has the community’s best interest at heart. I know that, because you serve on numerous nonprofit boards of directors, you volunteer your time to many different causes, you make contributions to the nonprofit organizations you or your company cares about and you discount your fees – for public charities. I have always tried to get the nonprofit discount, but for some reason public charities make a better case for the discount than an 80 million dollar grantmaking foundation.

I admire the accounting profession because without you, the debits and the credits would not balance, the audits would not be “unqualified”, and I would not have so much fun reading those audit notes. My favorite audit note of all time involved a thrift store

operation of a charity, snakes, and their ability to disclose a potential liability for the charity here in Central Florida. It went something like this:

The client entered into a 3-year commercial property lease to be used as a thrift store to support the work of the client. Soon thereafter the client noticed an infestation of several species of snakes. The landlord refused to take care of the snakes, insisting that he was not obligated to do so under the terms of the lease. The client turned to the State of Florida for advice on how to eradicate the snake infestation. The state would not allow the use of poison due the fact one of the species of snakes involved was protected. The State indicated that it would be acceptable for the client to beat, shoot, or trap the non-protected snakes so as to not harm the protected snakes. Without the help of the landlord and only a very little assistance being offered by the State of Florida, the client was in effect, deprived of the use of the leased property. The client, under advice of legal counsel, has abandoned the property and will not pay it's existing two and one half years of rental payments. Legal counsel has determined that the contractual obligation will not have material effect on the client's ability to function. He has instructed his client to ask for the assistance of the local newspaper to garner publicity should the landlord seek to enforce the contract.

This is my favorite audit note, but what does it have to do with today's topic and the topic of this conference? First let me say that while there are fraud and misdeeds in the nonprofit sector and that there are some real snakes out there, most of the problems and publicity surrounding nonprofits is usually born out of ignorance, laziness, stupidity, and inattentive boards of directors. But because there are some real low down, cheating, slippery "snakes" out there in Florida's nonprofit sector, we need to do something about them. This story also illustrates the need for the government regulators to have more authority, jurisdiction, and resources to address the changing and complex nature of today's nonprofits. Finally, this audit note illustrates the real power of the media. It can be put a positive or negative perspective on the work of nonprofits, but if we do not engage the media, we have no reason to complain about the coverage.

In the time that we have this morning I want to share with you my thoughts and the thoughts of others on why we face a new accountability challenge for nonprofits. I want to talk with you about the importance of nonprofits in our daily lives and in the lives of our state, local and national economy. I will also present data and research on the growth of nonprofits and foundations. The importance of nonprofits and their tremendous growth and complexity have made them "the elephant in the living room." Nonprofits were always part of the fabric of American life, but once they grew to a certain size, they were discovered by academics, public policy decision makers, elected officials, journalists, and even by the business sector. I will also make the case that it is in the best interest of the nonprofit sector and the professions that serve the sector, including certified public accountants, to advocate for more authority, jurisdiction, and resources for federal and state charity regulators to address the changing and complex nature of today's nonprofit organizations.

The nonprofit sector in the United States of America is truly amazing. Nonprofits organizations provide the social goods and services that government and business either cannot or will not provide. In economic terms, businesses can only be successful if they produce profit. Government can only allocate the funds that the people of the great State of Florida or of the United States will allow. In this day and age of no new revenue growth, otherwise known as No New Taxes and multiple rounds of tax cuts, that is not encouraging, but it is the reality. Nonprofits, on the other hand, provide everything that the business and government cannot or will not provide. If you ever bought a tin of popcorn from the Boy Scouts or cookies from the Girl Scouts; if you have ever enjoyed the performances at Ruth Eckerd Hall or the Orlando Philharmonic Orchestra; if you have ever been asked to support Florida State University or Bethune Cookman College; if you have ever listened to Miami Public Radio in the snarled traffic on I-95 in the sweltering mid day heat; or if you have even given to Habitat for Humanity International or Doctors without Borders; or if you have ever belonged to a professional organization, like the Florida Institute of Certified Public Accountants, then you know what nonprofit organizations do for us locally, state-wide, across this country, and globally. It has been documented that on any given day, the average America comes in contact with between 4 to 6 nonprofits per day, day in and day out. In fact, most Americans would be surprised to learn that nonprofit organizations are a major economic force in our society. Many people do not understand the operations of nonprofit organizations and often confuse the reality of the new management and accountability challenges facing nonprofits *versus* the historic and outdated charitable perception of nonprofit organizations of the past. It is most disconcerting and down right dangerous, when the public perception does not match the realities of today's nonprofit organizations. When the perception becomes the reality in the eyes of the public, the media, elected public officials, community leaders, journalist, regulators, and donors, it is very difficult for that perception to be brought back to reality, having been printed on the front page of the *St. Petersburg Times*, the *Miami Herald*, the *Lakeland Ledger* or on Channel 2, 7, or 10 on commercial television, or Public TV and Radio.

Nationally, according to the Independent Sector, a national organization representing nonprofits and foundations:

“The nonprofit sector in the United States is vast and diverse and touches all our lives. It includes more than 1.5 million nonprofit organizations with combined annual revenues of more than \$670 billion — more than the gross domestic product of Brazil, Russia, or Australia. Over 10% of America's workforce is either employed or volunteer in nonprofits.” And for those of you in the audience with a need to know, an hour of volunteer time is now calculated to be valued at \$17.19 an hour or almost \$250 million dollars, nationally.”

Section 501(c) of the tax code, which outlines the types of organizations eligible for tax exemption, lists more than 25 classifications of nonprofits. I will only mention the two major categories that are the subject of this conference: public charities and private foundations:

Public Charities: Nonprofits that are exempt under Section 501(c)(3) are often called charities, but these organizations do far more than provide free care and services to the needy. Hospitals, museums, orchestras, private schools, religious organizations, advocacy organizations, public television and radio stations, soup kitchens, and many other organizations are 501(c)(3) nonprofits. The majority of nonprofits operating in the United States are classified as public charities. More than 700,000 public charities are registered with the IRS. To be considered a public charity, the organization must be able to show broad public support, rather than funding from an individual source. Individuals and corporations that give money to these organizations can deduct the value of gifts from their taxable income, provided they file itemized tax returns.

Private Foundations: Many individuals, families, businesses, establish foundations as a way to support causes and programs that benefit society. They usually have a single source of funding, often fully funded through estate planning and testamentary transfer. Foundations, which are also 501(c)(3) nonprofits, are one of the most complex components of the nonprofit sector. Private foundations are subject to more stringent regulation and reporting requirements than other types of nonprofits. They are required to make grants equal to at least 5 percent of their investment assets each year, and generally pay a 2 percent excise tax on net investment earnings. There are over 60,000 foundations in the United States. The Edyth Bush Charitable Foundation, the Conn Memorial Foundation and the Jessie Ball Dupont Fund are examples of private foundations.

To give you a better idea what the nonprofit sector means to the State of Florida, I want to discuss two research reports. The first report was published in 2002 by the Rollins College Philanthropy and Nonprofit Leadership Center, and was the first economic impact statement of the nonprofit sector in the State of Florida. That report is entitled: *Economic Contributions of Florida Nonprofit Organizations: A Resource for the Public Good*. The full report can be found at www.pnlc.rollins.edu. Enormous amounts of data and information collected about the business and government sectors have been and are, readily available. This seminal report on the nonprofit sector is the culmination of a first time in Florida, extensive systematic gathering of data for the sector. This report documents that Florida's nonprofit organizations:

- Number more than 50,000--- more than 30,000 are charitable
- Employ directly approximately 430,000 people at an average wage of \$26,197.
- Generate an additional 360,000 jobs as a result of spending by the organizations and their employees
- Comprise the state's sixth largest source of employment among all industry sectors; only services, retail trade, government, manufacturing and finance, insurance and real estate employ more workers.
- Hold assets exceeding \$63 billion
- Receive more than \$43 billion in annual income
- Generate more than \$22 billion in total personal income
- Generate more than \$61 billion in total economic activity

- Have grown faster than the state's overall economy (an increase in expenditures of approximately 140 percent from 1988 to 1998 compared to an 87 percent increase in Florida personal income)
- Attract 88 million hours of volunteer time, equal to the work of more than 42,000 full-time employees

In short, Florida's nonprofit sector generates significant economic benefits providing the quality of life for state residents.

The second report I want to inform you of was just published six weeks ago by the Florida Philanthropic Network, entitled *Philanthropy in the Sunshine State*, the first statewide giving study of foundations and individuals. This report can be found at www.fpnetwork.org

Let me first tell you about the Florida Philanthropic Network. The Florida Philanthropic Network is a coalition of Florida's leading grant makers who seek to advance philanthropy in the state and encourage dialogue and collaboration among nonprofits, business, and government. FPN recognizes the important role the independent sector (foundations and other charitable funders, nonprofit organizations and civic and charitable organizations) plays in shaping that future, through:

- stimulating innovation
- generating research
- building understanding
- and contributing to a healthy economy

Through the Network, we provide a voice for Florida's independent sector, focusing on issues affecting the entire state promoting informed decision-making on critical public policy issues.

FPN has three primary areas of work:

1. *Building philanthropy in Florida*

The Network works to bring together current and potential donors and grantmakers with an interest in Florida, provide information on critical issues impacting the state, and encourage philanthropic investment in initiatives that address those issues.

2. *Encouraging conversation among the public, private, and independent sectors*

The Network works to convene representatives from the three sectors for learning, discussion, and collaboration.

3. *Promoting informed decision-making*

The Network commissions research, shares information, and works to educate policymakers around issues that are timely for Florida.

The founding members of the Network are:

Allegany Franciscan Foundation
Edyth Bush Charitable Foundation
Dade Community Foundation
Jessie Ball Dupont Fund
Health Foundation of South Florida
John S. and James L. Knight Foundation
John T. and Catherine D. Macarthur Foundation

In addition, The Blue Foundation for A Healthy Florida, Darden Restaurants Foundation, and The Community Foundation in Jacksonville have joined as partners in our efforts. We are actively seeking other partners and would be happy to talk you about other interested foundation partners.

Philanthropy in the Sunshine State documents the following: Florida ranks among the nation's top 10 states in terms of total foundation assets. The state is home to 3,289 foundations, or 5.3 percent of the 62,284 foundations in the United States. Florida foundations have assets of \$14.1 billion, an increase of 341 percent over the \$3.2 billion in Florida foundation assets reported in 1990. This dramatic growth compares with a 361 percent increase in foundation assets in the 12-state southeastern United States and 181 percent growth in foundation assets for the nation as a whole over the same period. In the most recent year reported, Florida foundations awarded grants totaling \$922.1 million. Florida is home to two of the nation's 100 largest foundations, the \$1.9 billion John S. and James L. Knight Foundation, based in Miami, and the \$542 million Picower Foundation, in Palm Beach. Nineteen other Florida foundations have assets in excess of \$100 million. Not surprisingly, Florida foundation giving is concentrated among those large institutions. Of the 3,254 private grant making foundations in the state, 90 of the largest grant makers distributed 51 percent of giving by all private foundations in the most recent year recorded.

In recent years Florida has seen a remarkable growth in new foundations. Between 1996 and 2001, more than 1,500 new foundations were established, with almost \$3 billion in combined assets. While these foundations represent almost half the total number of Florida-based foundations, their assets and giving equal roughly 20 percent of the state's foundation assets and giving. The giving potential of these foundations when they are fully funded could be a real legacy for Florida's future.

Florida has 23 community foundations. Combined, they now serve most of the state's population. These foundations have combined assets of \$589 million and total annual grant making of approximately \$52 million. At least two community foundations are now located in each of the six study regions. The state currently is home to 12 hospital conversion foundations, six clustered in Southeast Florida and the rest spread among the state's other regions. Their combined assets are approximately \$843 million, and in their most recent year reported, they awarded grants totaling \$27 million, 95 percent of which went to Florida organizations.

Of the over 922 million dollars of grants made by Florida foundations, 61% of those grants were made to organizations located outside the State of Florida. Conversely, Florida nonprofits receive significant grant funding from foundations based outside the state. The \$4.2 billion John D. and Catherine T. MacArthur Foundation based in Chicago has long had a major presence in Palm Beach County, where the MacArthur's lived, owned property, and conducted business. Altogether, the nation's 1,000 largest foundations sent more than \$253 million in grant funds to Florida nonprofits in their last year reported, according to Foundation Center data. Many smaller foundations, not included in this total, also award grants in Florida each year.

While foundation giving may seem significant, the largest source of philanthropic giving in Florida is charitable contributions made by individuals and families. In 2001, Florida tax filers reported \$7.3 billion in contributions, a 37 percent increase over the \$5.3 billion reported in 1997. Yet, despite the fact that Florida residents' income during those years grew slightly faster than the rest of the country, the increase in Floridians' charitable giving lagged behind the 41 percent growth in giving by the nation as a whole.

By some measures, Florida is a place of considerable wealth. According to the IRS, more than 200,000 Floridians are millionaires, a larger number than any other state except New York and California, and a higher concentration of wealth than anywhere else in the nation but Connecticut, Colorado, New Jersey and the District of Columbia. In Southwest Florida's Collier County, one-fourth of all households have a net worth above \$500,000. In four other Florida counties (Martin, Sarasota, Palm Beach and St. Johns), at least one household in five has a net worth of \$500,000 or more. Annual household income is greater than \$100,000 for nearly 700,000 Florida households (11 percent) and greater than \$200,000 for more than 130,000 of those households (2.1 percent). On the surface at least, the potential for increased individual charitable giving is significant.

According to IRS data, 1.9 million Florida tax filers reported charitable contributions in 2001. This represents about 24.8 percent of the state's tax returns, compared with 30.4 percent of tax filers reporting contributions nationally.

Florida ranks 21st nationally in average adjusted gross income, but 39th in terms of the percentage of tax filers who make charitable gifts. Florida also falls below national and regional averages of charitable giving as a percentage of income, although the level of giving varies within the state. On average, Florida tax filers donate 2.16 percent of their income to charity, compared with a giving rate of 2.25 percent for the nation as a whole.

And finally, one important point that I would like to underscore, Florida's foundations and roughly two million individual donors gave a total of \$7 billion in the most recent year recorded, but this amount is a mere fraction of the state's annual budget of \$53 billion. When individual charitable giving is subtracted, Florida's foundations gave a combined total of \$922 million, but again these amount totals less than two percent of the state's annual budget.

The \$1.9 billion in assets of Florida's largest private foundation, the John S. and James L. Knight Foundation, is less than half the size of the Miami-Dade school district annual budget. In other words, increased private giving will not be able to fill gaps in funding for nonprofit organizations and community-based approaches to social challenges left by decreasing public dollar investments in these organizations and communities.

So, just what happened, for us to discover that nonprofits were “an elephant in the living room”? Well, for one thing, as I hope that I have demonstrated, the nonprofit sector grew larger and larger. It grew to the point that it could not be ignored. Something also happened about the fundamental way government was going to address the human service needs of its citizens. In the 1980’s government began to get out of the business of funding and providing services. Government began to devolve the provision of services to the state and local levels of government. The Federal government would provide the funding but state and local government, nonprofits, and even for-profit businesses would have to provide the services. The Federal government would no longer “row” the human service boat. All they wanted to do now would be to steer the boat.

Additionally, the nonprofit sector has just begun to be noticed by academics, public policy decision makers, elected officials, journalists, and by the business sector. It is only in the 1980’s that some of the initial published research on the nonprofit sector itself is published. The 1990’s were a boom time for nonprofits with increased contributed revenue, new earned income revenue ventures, and a real push for nonprofits to be “run like a business.” This same type of pressure has been applied to governments, to “run like a business”, but this too has had mixed results.

Public policy decision makers trying to stretch their national, state, and local budgets, “discover” private foundations and deem them a cash cow in the no new revenue environment. The government moved from being a maker of grants and contracts to a grant seeker, competing with the very nonprofits it had historically funded.

Journalism, too, discovered the growing nonprofit sector. You have the creation of the *Chronicle on Philanthropy*, *Nonprofit Times*, and other publications covering the news and activities of a once charitable activity that had now grown into a sector that produced hundreds of billions of dollars of activity. Journalists, seeking to be the next Woodard and Bernstein, came after the nonprofit world with a healthy skepticism. Doing good was just not enough to report upon. Charity was nice, but a cheating nonprofit or a felonious executive director was a much better story. If it bleeds it leads! Government, journalist, donors, and others began to question the accountability of nonprofit organizations. Businesses have profits and shareholders; government has the ballot box; but nonprofits with their diverse stakeholders, divergent expectations of performance, began to raise the question to whom, for what, and how are nonprofits accountable?

This growth of the sector did not go unnoticed by Wall Street. Fidelity Investments rolled out its donor advised fund in the late 1990’s and almost instantly became the largest charitable fund in the United States. This created a plethora of donor advised funds including, Schwab, SunTrust, Bank of America, and others. The *Orlando Sentinel* has a

donor advised fund you can contribute to. Even the Rockefeller Family Fund has donor advised funds that the public can contribute to. You have a 200 Billion dollar charitable giving sector that has finally become noticed!

As in life, when something attracts this kind of attention, there are those who are “snakes” and will take advantage of a situation of rapid growth, changing roles, confusion about past perceptions and the new realities. And of course there are those who cannot keep up with the changes, either lacking the time or resources, through laziness, stupidity, ignorance, and lack of board oversight and interest. All of this was coupled with some egregious examples of public mistrust, and illegal behavior.

In a paper presented at the American Assembly/Indiana University Center on Philanthropy conference on "The Future of Philanthropy in a Changing America" last April, Joel Fleischmann, reacting to the New Accountability Challenge, dramatically recounts, the abuses that finally made our Country stand up and demand accountability from our nonprofit organizations. I borrow from Joel's litany of abuses. He notes: the conviction of Jim and Tammy Bakker; the conviction of William Aramony of the venerable United Way of America; the conviction of John Bennett of the Foundation for New Era Philanthropy; the forced resignation of Bruce Ritter of Covenant House; the forced resignation of the President of Adelphi University; the allegations concerning improper dealings among the Trustees of the Bishop Estate; the allegations concerning improper behavior by officers of the Freedom Forum Foundation; the allegations concerning the questionable use of not-for-profit organizations by politicians for partisan political purposes; the accumulating evidence of escalating percentages of funds raised in the name of charities retained by for-profit fundraising firms; the common fund investment loss caused allegedly by inadequate Board supervision; the Stanford University indirect cost controversy and the allegations concerning questionable compensation to officers of Minnesota Public Radio and an affiliated for-profit organization. And then came the America Red Cross and September 11th. In true American fashion, we should have seen it coming, but as is our nature, we respond better to crisis. This combined with America's scandals involving Enron, Tyco, WorldCom, Global Crossing, Arthur Anderson, and even the Catholic Church, shook the public confidence. Prosecution, investigation, and regulation would begin to address the new accountability challenges facing nonprofits.

The result of all of this would be the creation of legislation including the American Competitiveness and Corporate Accountability Act of 2002, better known as the Sarbanes-Oxley Act and its state counterpart in New York and California. In addition, greater scrutiny of the form 990 and 990-PF and a growing chorus of those calling for codes of conduct, profession standards, and other measures to address the new accountability challenges facing nonprofits, have arisen.

To begin with Sarbanes-Oxley, let me say and you will hear it from others today that Sarbanes-Oxley, except for two provisions, does not apply to nonprofit organizations. It would be a great service to your clients, however, if you could impress upon them to recognize the emergence of a fundamental shift, that there is a new accountability

challenge for nonprofits and a higher level of public expectation through Sarbanes-Oxley, the 990's, codes of conduct, and the media. I believe the following are now necessary to address the new accountability challenge facing nonprofits.

1. The board of directors of a nonprofit corporation must engage in active, independent, and informed oversight of the nonprofit. Written job description for board members and terms of office are a must.
2. Every nonprofit corporation should have a nominating or governance committee composed entirely of directors who are not part of the staff. The committee is responsible for nominating qualified candidates to the board and evaluating their performance. A zero tolerance policy for unethical or illegal behavior should be clearly expressed.
3. The board should also develop and implement a process for review and evaluation of the chief executive officer on an annual basis, with careful consideration of compensation and benefits issues, and retain competent professionals to assist them.
4. Every nonprofit corporation with substantial assets or annual revenue should be audited annually by an independent auditing firm, and at lesser assets or revenue levels, a review or compilation should be conducted.
5. That there be an independent audit committee, with no compensated staff or board members, and without any other financial interests in the nonprofit organization.
6. The chief executive officer and the chief financial officer of every nonprofit corporation should review Form 990 or Form 990-PF and other annual information returns filed with federal and state agencies.
7. Every nonprofit corporation should adopt a written policy setting forth standards for document integrity, retention, and destruction.
8. Every nonprofit corporation should adopt a written policy to permit and encourage employees to alert management and the board to ethical issues and potential violations of law without fear of retribution.

The greater scrutiny of the 990 and 990PF is here today and will only become more prominent. Interactive websites, e-philanthropy, and electronically generated databases have transformed the way nonprofits communicate with the public, grant makers, and donors. Soon, the Internet will change the way charitable organizations interact with government as federal and state agencies forge ahead with "e-services" to become more efficient. Nonprofits should view these advances as welcome opportunities to reduce their paperwork, increase their efficiency in responding to regulatory demands, and improve their organizational effectiveness.

In early 2004, the Internal Revenue Service offered an option to electronically file, or "e-file", the Form 990. Maybe in 2005, e-filing will also be available in the State of Florida.

Over time, "e-filing" will change the way nonprofits collect and report data, and lead to greater consolidation of federal and state regulatory demands on nonprofit and philanthropic organizations. The Florida Philanthropic Network is working with the Electronic Data Initiative for Nonprofits (EDIN) a national initiative to implement e-filing. Florida being the only large state not to be an original member of the Electronic Data Initiative for Nonprofits, Florida Philanthropic Network committed dollars and staff time to move this forward in the Sunshine State. We are currently in discussions with the Department of Agriculture to make this happen. EDIN is reaching out to nonprofit organizations, associations, foundations, and their accountants and technology providers to build a coalition of support for "modernized e-file" efforts and to encourage software developers to add electronic filing to their Form 990 tax packages.

Now, you are probably asking yourself or your clients might ask you, "why should I e-file before its is mandatory?" By integrating accounting with report generation, nonprofits will ultimately save time and expense in complying with regulatory requirements. Electronic filing of the Form 990 will result in:

- Greater accuracy
- Reduced paperwork and administrative costs
- Greater efficiency
- More effective use of public resources

E-filing is also an important management tool. The short-term gains of greater accuracy and efficiency are appealing but the long-term benefits of electronic filing are even more compelling: a complete, timely and accurate database to conduct sophisticated analysis, evaluation and strategic planning.

Drastic budget cuts at the state level require nonprofits to make a strong case for their programs, and to do that requires data. E-filing the 990 will ultimately create a database for nonprofits to analyze and compare operations and programs, benchmark activities, measure outcomes, and establish meaningful performance standards. The Form 990 can be a powerful communications tool; e-filing the 990 can lead to a powerful management tool for nonprofits to increase their organizational effectiveness and sustainability.

E-filing will require nonprofits and their accountants to adopt an even greater commitment to accuracy, accountability, and efficiency of nonprofit and government resources. It will require integration with accounting software and integration with state reporting requirements. E-filing in 2004 will be optional, but it is likely to be mandatory for many nonprofits sometime in the future. Nonprofits, associations, and foundations that file 990s should begin now to look at computerized and web-based methods to integrate their accounting with reporting and compliance.

The accounting profession can help educate nonprofit managers, CFOs, and their boards of directors on the importance of e-filing and encourage the developers of tax preparation software to add e-filing updates to their Form 990 packages.

With scrutiny of America's institutions at an all-time high, nonprofits have an unparalleled opportunity to increase their credibility and strengthen public trust. The accounting profession can play a key role in this effort by advocating for the adoption of e-filing, and I would welcome your suggestions.

Finally, codes of conduct, conflict of interest statements, and nonprofit management standards and best practices are flourishing among the national nonprofit. The oldest and possibly the best overall accountability standard comes from the BBB Wise Giving Alliance Standards for Charitable Accountability. The COO of this organization, Bennet Wiener, will be speaking later this afternoon. These standards as well as information about their National Charity Seal program can be found at www.Give.org.

National organizations, such as the Council of Foundations, the Independent Sector, and others are working on specific nonprofit industry subgroup standards. On a statewide level, the Maryland Association of Nonprofit Organizations has created a peer review system for nonprofits and certification along with their own “seal of excellence” program.

In conclusion, let me offer the following recommendations. For starters, we have more than enough legislation and regulations on the books. Foundations and nonprofits in Florida are NOT RUNNING SCARED—it may make a great headline in the *Florida Trend*, and I truly thank them for their coverage of nonprofits—but what we really need is the following:

Recommendations:

1. Advocate for the Exempt Organizations Division of the Internal Revenue Service and the State of Florida Department of Agriculture to receive more funding and human resources to enforce the statutes and regulations we have on the books. Accountability can only be as good as the enforcement mechanisms in place. The two provisions of Sarbanes-Oxley that do apply to nonprofits should be very helpful in this regard.
2. The accounting and legal profession take up a campaign in Florida to address the new accountability challenge through seminars and workshops. E-filing, board training, review of standards and best practices could be important issues to address. The Rollins College Philanthropy and Nonprofit Leadership Center would be an excellent place to coordinate this effort.
3. Sponsor and publish research on local philanthropy and nonprofits to complement statewide, regional, and national reports.
4. Use philanthropic data and reports such as the two that I mentioned, and others, to inform public policy, legislation, and funding decisions.
5. Promote philanthropy, especially through community foundations and public charities, to build their endowments through tax incentives and other measures.

6. The State of Florida Department of Agriculture becomes more active in its public support and promotion of the sector. We have begun to demonstrate the impact and importance of the nonprofit sector in the Sunshine State. The new public promotion of nonprofits in Florida might be “ A day without a nonprofit is like a day with out sunshine or a day without orange juice.”

7. Engage the print and electronic media to report more frequently and fully the news, actions, and issues of the philanthropic community.

8. Encourage businesses to contribute 2% of their pretax profits to charity and volunteerism.

Again, thank you for what you do as a profession, as community leaders and as donors to help nonprofits meet the new accountability challenge.