SARBANES-OXLEY ACT

IMPLICATIONS FOR NONPROFIT ORGANIZATIONS

CHECKLIST FOR NONPROFITS

- Insider Transactions and Conflicts of Interest
- Independent and Competent Audit Committee
- Statement of Values and Code of Ethics
- Responsibilities of Auditors
- Certified Financial Statements
- Disclosure
- Whistle-Blower Protection
- Document Destruction
- Develop a Culture of Accountability and Transparency

Conflict of Interest Policy

As a matter of recommended practice, the final report of the Panel on the Nonprofit Sector states "charitable organizations should adopt and enforce a conflict interest policy."

Even though the CDC has an approved Conflict of Interest Policy, it needed to be strengthened and clarified. It is extremely important for members of Boards of Directors of Non Profits be completely above reproach. This will only lend credibility to our industry and give our donors and funding agencies one more assurance that their dollars are not being misused.

Adhering to a well-defined conflict of interest policy will help preempt even the perception that funds are being used for personal gain by the managers or board members.

The Pension Protection Act

The Pension Protection Act was signed into law by President Bush August 17, 2006. While most of the legislation modified ERISA to reform pension plan funding for defined benefit plans, there are several provisions that affect defined contribution plans.

One provision that was of interest to The Community Development Center was the provision for employee automatic enrollment. This would allow employers to auto enroll employees into the organization's defined contribution plan unless the employee elected to opt out of the plan. However, the employer would be required to match up to 6% after the third year of election. Because the CDC has a good participation rate of their employees, I do NOT recommend that Governing Board elect to amend the plan document to allow for automatic enrollment.

The Pension Protection Act does contain a package of charitable giving incentives that are of interest to tax exempt organizations. The incentive that most affects the Community Development Center states:

Tax-Free Distributions from IRAs for Charitable Purposes. The IRA "rollover" provides an exclusion from gross income for certain distributions of up to $100,000 from a traditional individual retirement account (IRA) which would otherwise be included in income. To qualify, the charitable distribution must be made to a tax-exempt organization to which deductible contributions can be made.

This important piece of this legislation needs to somehow be made known to the public. I can see this as a major marketing tool for the Community Development Center that could perhaps secure some major donations for the agency.