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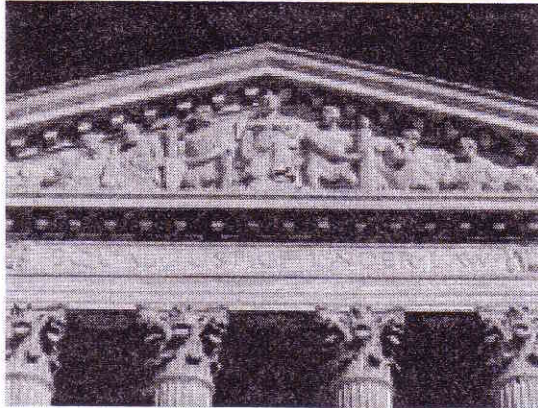
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CALIFORNIA ADOPTS TOUGH NEW LEGISLATION FOR CHARITIES AND FUNDRAISERS

A new California law places tough new restrictions and obligations on charitable organizations, commercial fundraisers (i.e. solicitors), fundraising consultants and commercial co-venturers who carry on charitable activities or solicit charitable contributions in the state. The following is a brief summary of the most important elements of the California Nonprofit Integrity Act of 2004:

- All charitable corporations must file annual financial statements using generally accepted accounting principles prepared by an independent certified public accountant in conformity with generally accepted auditing standards. If a charitable corporation is controlled by another organization, the controlling organization may prepare a consolidated financial statement meeting the above requirements.
- Charitable corporations that receive or accrue gross revenue of \$2 million or more in any fiscal year (not including

government grants) must be audited by an independent auditing firm.

- The auditing firm may provide non-audit services to the charitable organization, but may only do so in accordance with standards for auditor independence set forth in the Government Auditing Standards, issued by the U.S. Comptroller General (the Yellow Book).
- The audited financial statements must be made available for inspection by the Attorney General and the public, no later than nine months after the close of the fiscal year to which the statements relate.
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13 NONPROFITS SUE U.S. OVER TERRORIST EXCLUSION LIST

The American Civil Liberties Union Foundation together with twelve other nonprofit organizations ("Plaintiffs") have commenced a federal lawsuit objecting to a new anti-terrorist requirement in a program that enables federal employees to contribute money from their paychecks to participating charities.

That law provides that in order for charities to receive funds from the program, known as the Combined Federal Campaign (CFC), participating nonprofits have to sign a certification stating that they do not knowingly support or employ people listed on certain government terrorist watch lists. The Plaintiffs are seeking a declaratory judgment and an injunction preventing the enforcement of the certification language and permitting them to participate in the CFC program without signing the certification. *(cont on page 2)*