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Research Brief

TO: Representative Bob Lynn
FROM: Katie Spielberger, Legislative Analyst
DATE: January 24, 2013
RE: Background on Audits for Non-Profits Participating in Pick.Click.Give
         LRS Report 13.157

> *You wished to know the legislative history behind AS 43.23.062(d)(8), which requires a financial audit for any non-profit organization with an annual budget exceeding $250,000 in order to participate in the Pick.Click.Give program.*

In brief, it appears that the audit requirement was included as one of many criteria designed to ensure the credibility of organizations participating in the Pick.Click.Give program.

The Pick.Click.Give program was established by HB 166, enacted as Ch 41 SLA 08, to allow Alaskans filing for their PFD online to donate part or all of their dividends to eligible charitable and educational organizations, community foundations, and the campuses of the University of Alaska. Organizations are required to meet a number of criteria to be listed on the contribution list. For example, an organization must be a 501(c)(3) organization, must be directed by a voluntary board of which a majority of members are residents of Alaska, and must have provided services in Alaska during the two calendar years immediately preceding the year the application is filed. Per AS 43.23.062(d)(8), an organization or community foundation may only be included on the contribution list for a current dividend year, if that organization

> has completed and provided to the department a financial audit with an unqualified opinion conducted by an independent certified public accountant for the fiscal year to which the Internal Revenue Service Form 990 required under (4) of this subsection applies, or if the organization is exempted from filing Form 990, for the fiscal year of the organization that ended immediately before the current fiscal year; this paragraph applies only to an organization with a total annual budget that exceeds $250,000 during the fiscal year to which the audit required under this paragraph applies.

This provision appeared in HB 166 as it was originally introduced. For the first three years of the Pick.Click.Give program (the 2009 through 2011 application periods), administrative costs were covered by a grant from the Rasmuson Foundation. Since 2012, organizations have paid an eligibility application fee to cover administrative costs for the program.

In a March 20, 2007, hearing before the House State Affairs Committee, Diane Kaplan, president of the Rasmuson foundation, was asked whether the foundation would remain interested in sponsoring the administrative costs if the list were opened up to all 501(c)(3) entities. According to committee minutes,

> MS. KAPLAN responded that there are approximately 6,000 501(c)(3) entities in Alaska and if there were 6,000 choices on the PFD application, the program wouldn't be very effective for any of them. She stated, "So, we were looking for a way both to make this program rational, in terms of providing real support for core service providers, but also making sure that the organizations that are listed have credibility with the public." She said to qualify, the nonprofit organization must: file an annual tax return with the IRS; have an audit; already be engaged in individual fundraising; have a certain budget and staffing; and have been tax exempt for a period of time [and] have a voluntary board of directors who are residents here in the state.
> MS. KAPLAN stated that the Rasmuson Foundation funds in every area of life, so its interest in limitation revolves more around organizations that can demonstrate a certain level of professionalism so the public can have confidence in the program.

While concerns were raised about restricting the number of participating organizations in general, we found no discussion of the audit requirement in particular.

We hope this is helpful. If you have questions or need additional information, please let us know.