



Empowering Nonprofits. Strengthening Kentucky.

Support HB 385:

A Bill Modernizing the Laws Governing
Kentucky's Nonprofit Organizations,
Allowing These Vital Organizations to
Focus on What They Do Best —
Strengthening Kentucky Communities

*Kentucky Nonprofit Network is the state association of nonprofit organizations.
KNN exists to strengthen and advance the nonprofit sector because
nonprofits are essential for vibrant communities.*

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Support House Bill 385: A Bill to Modernize the Laws Governing Kentucky's Nonprofit Organizations

Why Support HB 385:

House Bill 385 makes technical changes to modernize the current laws governing Kentucky's nonprofit sector (KRS 273). These laws were written in the 1960's and until the passage of HB 440 in 2015, have had minimal updates. HB 440 provided basic updates that allowed nonprofit organizations and their boards to take advantage of and better utilize technology in their governance functions. HB 385 continues this work and provides nonprofits and their board members with much needed guidance and/or flexibility on:

- The size and structure of the board of directors, as well as the structure and authority of board and advisory committees—providing nonprofit organizations with increased flexibility to better utilize the needed volunteer expertise to accomplish their missions.
- The statutory right to remove a member of the board of directors in extreme circumstances.
- Addressing board member conflicts of interest and making nonprofit law consistent with the for-profit corporate law.
- Indemnification language that expresses the intent of the nonprofit to cover the expenses a board member might incur in defending an action and paying settlements or judgments related to his or her service on the board. This clarification reduces the likelihood that a board member's personal assets will be exposed to loss, thus enhancing a nonprofit's ability to recruit and retain needed volunteer board member expertise to accomplish its mission.
- Giving membership organizations more flexibility in setting member inspection rights.
- Allowing distribution of funds from one 501 (c) 3 organization to a member 501 (c) 3.

The Facts:

⇒ **Nonprofits are vital to Kentucky communities.** Nonprofit organizations provide essential services, protect the vulnerable, feed the hungry and more. They are the backbone of our communities.

⇒ **Nonprofits are vital to Kentucky's economy. One in nine Kentuckians is employed by a nonprofit organization. The nonprofit sector is the Commonwealth's third largest industry.** Nonprofits ensure access to the arts, quality education and more to enhance our quality of life, and attract and retain businesses to operate in Kentucky communities.

⇒ **Nonprofits are essential state and local government partners.** The Commonwealth often relies on contracts and partnerships with nonprofit organizations to provide vital services to its citizens, especially our most vulnerable citizens. These contractual relationships allow government to meet its obligations and take advantage of the expertise of nonprofit organizations in a cost-effective manner.

⇒ **Modernizing Kentucky's nonprofit laws** will provide nonprofit organizations with needed clarity and guidance, allowing them to better focus on what they do best—strengthening communities.