# ETHICS & ACCOUNTABILITY IN ADVANCEMENT SERVICES

Presented by:

John Taylor
Associate Vice Chancellor for Advancement Services
North Carolina State University
919.513.2954
johnhtaylor@ncsu.edu

## Topics Today

- What is the current climate?
- Ethics in Advancement & Advancement Services
- How do you build/gain trust?
- Accountability in Advancement Services
- Creating Metrics
- IRS Areas of Interest

2

**PERCEPTIONS OF HOW NONPROFIT SECTOR IS DOING–BY AGE**

"In general, do you think the nonprofit sector . . . is on the right track or has pretty seriously gotten off in the wrong direction?"

Base: All adults

| | | **Age** | | | | | |
|---|---|---|---|---|---|---|---|
| | Total | 18–24 | 25–29 | 30–39 | 40–49 | 50–64 | 65+ |
| | % | % | % | % | % | % | % |
| Right track | 30 | 36 | 38 | 35 | 33 | 29 | 21 |
| Wrong direction | 32 | 16 | 19 | 23 | 34 | 38 | 37 |
| Not sure | 38 | 48 | 43 | 41 | 33 | 33 | 42 |

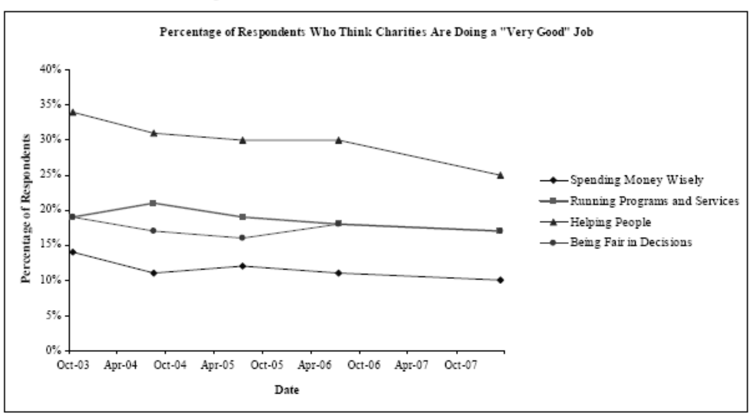
Note: Percentages may not add up exactly to 100% due to rounding.

2006 Harris Poll ®

3

# Charitable Confidence

Figure 1: Confidence in Charitable Performance, 2008




Brookings Institution, *2008 Report on Charitable Confidence*

4

# The Advancement World is Changing

- Philanthropic Giving Index dropped from 93.7 in 2007 to 63.3 in 2008, but now up to 71.1 in 2010. Still a long way to go
- More and more NPOs are having difficulty getting donors to give year after year
- According to Target Analytics there has been a 5-year decline in total donor counts – but offset by higher per donor contributions
- More and more money is being spent replacing those "lost" donors
- So why is this happening?
- Competition is one of our greatest threats

5

- Number of Nonprofit Organizations in the United States 1999 - 2009 http://nccsdataweb.urban.org/PubApps/profil

Urban Institute NCCS NATIONAL CENTER FOR CHARITABLE STATISTICS

Tools - Feedback - Help Login

NCCS > Statistics > Profiles

**You can click on items in blue such as '501(c)(3) Public Charities' to get more detailed reports.**

**Number of Nonprofit Organizations in the United States, 1999 - 2009**

| | 1999 | | 2009 | | |
|---|---|---|---|---|---|
| | Number of Orgs. | Percent of All Orgs. | Number of Orgs. | Percent of All Orgs. | Pct. Change |
| **All Nonprofit Organizations** | 1,202,573 | 100.0% | 1,581,111 | 100.0% | 31.5% |
| 501(c)(3) Public Charities | 631,902 | 52.5% | 1,006,670 | 63.7% | 59.3% |
| 501(c)(3) Private Foundations | 77,978 | 6.5% | 120,617 | 7.6% | 54.7% |
| Other 501(c) Nonprofit Organizations | 492,693 | 41.0% | 453,824 | 28.7% | -7.9% |
| Small community groups and partnerships, etc. | Unknown | NA | Unknown | NA | NA |
| **501(c)(3) Public Charities** | 631,902 | 52.5% | 1,006,670 | 63.7% | 59.3% |
| 501(c)(3) Public Charities Registered with the IRS (including registered congregations) | 631,902 | 52.5% | 1,006,670 | 63.7% | 59.3% |
| Reporting Public Charities | 246,733 | 20.5% | 315,662 | 20.0% | 27.9% |
| Operating Public Charities | 214,344 | 17.8% | 275,984 | 17.5% | 28.8% |
| Supporting Public Charities | 32,389 | 2.7% | 39,678 | 2.5% | 22.5% |
| Non-Reporting, or with less than $25,000 in Gross Receipts | 385,169 | 32.0% | 691,008 | 43.7% | 79.4% |
| *Congregations (about half are registered with IRS)** | - | 0.0% | 385,874 | 24.4% | NA |
| **501(c)(3) Private Foundations** | 77,978 | 6.5% | 120,617 | 7.6% | 54.7% |
| Private Grantmaking (Non-Operating) Foundations | 74,891 | 6.2% | 115,249 | 7.3% | 53.9% |
| Private Operating Foundations | 3,087 | 0.3% | 5,368 | 0.3% | 73.9% |
| **Other 501(c) Nonprofit Organizations** | 492,693 | 41.0% | 453,824 | 28.7% | -7.9% |
| Civic leagues, social welfare orgs, etc. | 124,774 | 10.4% | 111,849 | 7.1% | -10.4% |
| Fraternal beneficiary societies | 103,725 | 8.6% | 77,811 | 4.9% | -25.0% |
| Business leagues, chambers of commerce, etc. | 70,718 | 5.9% | 72,801 | 4.6% | 2.9% |
| Labor, agricultural, horticultural orgs | 60,530 | 5.0% | 56,292 | 3.6% | -7.0% |
| Social and recreational clubs | 56,429 | 4.7% | 57,255 | 3.6% | 1.5% |
| Post or organization of war veterans | 34,608 | 2.9% | 34,593 | 2.2% | -0.0% |
| All Other Nonprofit Organizations | 41,909 | 3.5% | 43,223 | 2.7% | 3.1% |

Note: Excludes out-of-scope organizations.
Sources: IRS Business Master File 01/2010 (with modifications by the National Center for Charitable Statistics at the Urban Institute to exclude foreign and governmental organizations).
* The number of congregations is from the website of American Church Lists (http://list.infousa.com/acl.htm), 2004. These numbers are excluded from the totals for the state since approximately half of the congregations are included under registered public charities.

6

## What Is The Current Climate?

- Uncertainty about the war in Iraq did impact contributions according to the Center on Philanthropy
- We need to focus on new issues
  - Board and volunteer leadership
  - Reduced staff and high turnover
  - Pressure to show immediate results – the "low-hanging fruit" dilemma
- Regulatory pressures are going to have the greatest impact
- Need to PROVE we are ethical and accountable

7

## What Defines Accountability?

- Questions to which you need to be able to answer "YES" for courtesy and accountability to the Donor
  - Do they know where their money goes?
  - Do they know how much it costs your organization to raise $1?
  - Do they know about your "gift tax," if any?
  - Do you provide them with financial reports?
  - Do you have an 'open door' policy where they can contact you with questions/concerns?
  - Do you track how they wish to be acknowledged?
  - Do you send them annual endowment reports?

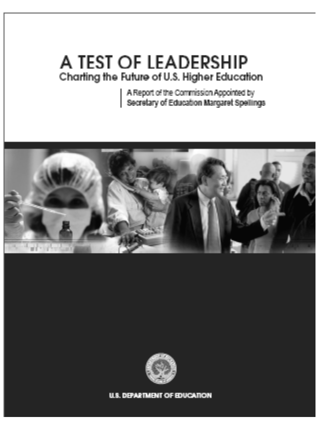
8

# Donors are Demanding More Accountability

- 2010 State of the Nonprofit Industry Survey:
  - 42 percent of donors require updates on how their contributions are spent - that's up from 30-33% in 2006-2008
  - 60 percent of donors require that their contributions be restricted to a specific purpose - that is up dramatically from 36-42% in 2006-2008
  - 15% of organizations began proactive communication on how donations were spent last year - brings the total percent of organizations doing this to 78%
  - 17% of organizations began proactive communication on impact of programs last year - brings that total to 83%

9

# Focus on Accountability



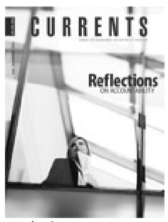

TRANSPARENCY AND ACCOUNTABILITY

We have noted a remarkable shortage of clear, accessible information about crucial aspects of American colleges and universities, from financial aid to graduation rates. Because data systems are so limited and inadequate, it is hard for policymakers to obtain reliable information on students' progress through the educational pipeline. This lack of useful data and accountability hinders policymakers and the public from making informed decisions and prevents higher education from demonstrating its contribution to the public good.

**We believe that improved accountability is vital to ensuring the success of all the other reforms we propose. Colleges and universities must become more transparent about cost, price, and student success outcomes, and must willingly share this information with students and families. Student achievement, which is inextricably connected to institutional success, must be measured by institutions on a "value-added" basis that takes into account students' academic baseline when assessing their results. This information should be made available to students, and reported publicly in aggregate form to provide consumers and policymakers an accessible, understandable way to measure the relative effectiveness of different colleges and universities.**

10

# Focus on Accountability




July / August 2006

**Seeing Clearly Now**

*It comes back to transparency*

*This issue of CURRENTS considers accountability from a variety of angles. This introduction summarizes the discussion.*

Accountability is a pressing issue for many people, including those who work in education and nonprofit organizations. And you don't have to look far for the reasons.

Breaches of trust push a fraud-weary public to doubt society's institutions in general. As a result educational institutions and nonprofits are coming under increasing pressure to explain what they are doing, why and how they are doing it, and the outcomes.

11

# Donors Seeking Increased Control

The New York Times
nytimes.com

July 18, 2002

**Princeton University Is Sued Over Control of Foundation**

By MARIA NEWMAN

The family that donated what has become a $550 million endowment fund for the Woodrow Wilson School of Public and International Affairs at Princeton University yesterday filed suit, seeking to take the foundation away from the university.

In their lawsuit, the family members say that they are unhappy with the way the school is being run. They also charge that Princeton is trying to take the fund, the Robertson Foundation endowment, and commingle it with general university endowment money. University officials denied the allegation and said that the family did not have the legal right to withdraw the endowment from Princeton.

The fund, which now provides the Woodrow Wilson school with 75 percent of its annual operating budget, dates to 1961, when Charles Robertson, a member of the Princeton class of 1926 who managed the investments of his wife, Marie, an heiress to the A&P grocery fortune, donated $35 million. The school now has the largest endowment of any graduate school of public administration in the country.

Charles and Marie Robertson have since died. But one of their children, William S. Robertson, said he was upset that the president of the university, Shirley M. Tilghman, wanted to disband the investment committee that oversees the endowment and instead hire a management company.

12

# Donors Seeking Increased Control

THE WALL STREET JOURNAL.
WSJ.com

SEPTEMBER 18, 2007

## Big-Money Donors Move to Curb Colleges' Discretion to Spend Gifts

By JOHN HECHINGER

For generations, wealthy alumni have donated big money to their alma maters with near-religious devotion. But some blue-chip donors are no longer willing to give merely on faith.

In an initiative to be announced today, several philanthropists -- including Bernard Marcus, the billionaire founder of Home Depot Inc., and investor John Templeton, who made a fortune running mutual funds -- are launching a nonprofit that will advise donors on how to attach legally enforceable conditions to their gifts.

The new Indianapolis-based Center for Excellence in Higher Education aims to curb colleges' discretion in spending donors' contributions. The three foundations backing the center -- those founded by Messrs. Marcus and Templeton and the John William Pope Foundation -- have about $1.25 billion in assets and have made $585 million in gifts over the past five years.

Several current high-profile battles over gifts have inspired the effort. A donor's family wants to take away from Princeton University a 1961 gift now valued at $840 million. Tulane University in Louisiana and Randolph College in Virginia are also fighting with the descendants of donors over gift terms.

13

# Donors Seeking Increased Control

The Badger Herald: UConn athletics donor demands $3 million back http://badgerherald.com/news/2011/01/26/ucom_athletics_dono.php

THE BADGERHERALD

**News: Higher Education**

**UConn athletics donor demands $3 million back**

By Melissa Hanson
Wednesday, January 26, 2011 6:59 p.m.
Updated Thursday, January 27, 2011 1:47:35 a.m.

A University of Connecticut donor demanded $3 million in donations he made to the school be returned after taking offense to being excluded in the athletic department hiring process.

Robert Burton, a university donor whose son attends the university, asked for money he donated to the UConn football program to be returned after not being consulted in decisions made surrounding the hiring of a new head football coach.

UConn Athletic Department spokesperson Mike Enwright said the donation Burton wants refunded was earmarked to fund the Burton Family Football Complex.

In a letter addressed to UConn Director of Athletics Jeff Hathaway where Burton aired his grievances, Burton said as the largest donor to the UConn football program, it was a “slap in the face” that Hathaway had not involved him in the hiring process.

Burton has donated approximately $7 million dollars to the university, and his son attended and played football for the school. He is the CEO of Burton Capital Management based in Greenwich, Conn.

In the letter, Burton said he intended to withhold all other forms of donations and support in addition to requesting the refund.

“It is our intent to let the correct people know that you did not listen to your number one football donor, and you led a flawed process in the search for UConn’s football coach,” Burton wrote.

14

# Donors Seeking Increased Control

Center for EXCELLENCE in HIGHER EDUCATION

Home | About | Higher Ed Facts | Contribu

DONOR INTENT and the FUTURE of HIGHER EDUCATION PHILANTHROPY

Most nonprofit organizations readily embrace the long-established principle that recipients of charitable gifts have a fiduciary duty to honor their donors' intent – that charitable gifts, when given and accepted for a specific purpose, must be used for that purpose, unless it is impracticable, illegal or impossible to do so (in which case the recipient can ask the donor or the courts for permission to repurpose the money.)

Yet, some nonprofits are tempted to ignore donor restrictions. Several high-profile lawsuits now in court are challenging efforts by colleges and universities to sidestep donor intent.

On December 6, 2007, the Center for Excellence in Higher Education (CEHE) hosted a conference examining these controversies and analyzing why donor intent is equally important for philanthropists who support higher education and other nonprofit causes, the institutions entrusted with their gifts, and the students and other intended beneficiaries of these gifts. Experts discussed what is being done to improve the crafting and stewardship of gifts, how philanthropists and higher education can work together to ensure problems don't arise, and what likely issues would appear if the problem goes unchecked.

15

# Increased Scrutiny of Rankings

- Increased scrutiny of reporting practices

THE WALL STREET JOURNAL.

  - *Math Lessons: To Boost Donor Numbers, Colleges Adopt New Tricks; Sinking Alumni Stats, Zeal for Rankings Spur Rate Inflation,*
    Daniel Golden. Wall Street Journal. (Eastern edition). New York, N.Y.: Mar 2, 2007. pg. A.1

THE CHRONICLE OF HIGHER EDUCATION

  - *Rankings Methodology Hurts Public Institutions,*
    Martin van der Werf. The Chronicle of Higher Education. May 25, 2007

INSIDE HIGHER ED insidehighered.com

  - *A U.S. News Effect on College Funding?*
    Elia Powers, Inside Higher Ed., Mar 2, 2007

16

# Increased Scrutiny of Rankings

## 'Lost' Alumni

Some schools improve their alumni donor rates by excluding alumni for whom they don't have accurate contact information, effectively making those alumni who do donate account for a larger slice of the pie.

**Below, what the sample university's rate would be if 20% of its alumni, or 2,000, were classified as "lost."**

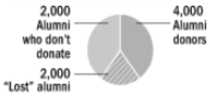
**Begin with a pool of 10,000 alumni, 4,000 of whom donate.**

| | |
|---|---|
| Alumni who don't give | 6,000 |
| Alumni who give | 4,000 |
| TOTAL | 10,000 |


TOTAL GIVING RATE: 40%

The school may say, 'We can't reach 20% of our alumni,' or in this case 2,000 graduates.

| | |
|---|---|
| Alumni who don't give | 4,000 |
| Alumni who are "lost" | 2,000 |
| Alumni who give | 4,000 |
| TOTAL | 10,000 |




Schools don't count the missing alumni as part of the overall alumni group. This raises their giving percentage.

| | |
|---|---|
| Alumni who don't give | 4,000 |
| Alumni who give | 4,000 |
| TOTAL | 8,000 |


TOTAL GIVING RATE: 50%

**Some universities have very low numbers of "lost" alumni, such as Princeton, which says it is in touch with 98% of its graduates. But Lehigh University in Bethlehem, Pa., which reports a 40% alumni giving rate, considers one-fifth of its graduates lost. Transylvania University in Lexington, Ky., classifies about 1,400 alumni, or 17%, as lost. Among the remaining approximately 7,000 alumni, the school reports a 50% giving rate.**

THE WALL STREET JOURNAL.

http://online.wsj.com/public/resources/documents/info-alumchrtbk0703-1.html

17

# Increased Scrutiny of Rankings

WSJ.com THE WALL STREET JOURNAL. ONLINE

Free Dow Jones Sites As of Friday, March 2, 2007

*MATH LESSONS*

### To Boost Donor Numbers, Colleges Adopt New Tricks

**Sinking Alumni Stats, Zeal for Rankings Spur Rate Inflation**

By DANIEL GOLDEN
*March 2, 2007; Page A1*

ALBION, Mich. -- Adrian Jean Kammerer hasn't given Albion College a dime since she graduated in 2004. "I don't have money to be giving to Albion," says the law-school student. "I'm living off student loans."

Yet Albion counted Ms. Kammerer as an alumni donor to the school in 2004, 2005, and 2006. School officials keep her on the donor roll by treating the $30 she gave as a college senior as a $6 annual gift for five years. Ms. Kammerer isn't scheduled to drop off Albion's donor list until 2009.

18

# Valuation of Non-Cash Gifts

The New York Times
nytimes.com

June 14, 2004

## Donor's Windfall Vexes Museum; Senate Committee Questions Actions By Smithsonian

By LYNNLEY BROWNING

Documents provided by the Smithsonian Institution to the Senate Finance Committee suggest that the museum lent credence to an 10-fold increase in the value of four Stradivari instruments donated in 1997 without any formal independent appraisals. The instruments were said to be worth $50 million, a figure that has been challenged by some experts.

The high-profile gift, one of the museum's largest ever, allowed its donor, Herbert R. Axelrod, a New Jersey businessman, to claim what his lawyer confirmed was a tax break of around $32 million. Mr. Axelrod fled to Cuba in March after being indicted on unrelated charges of tax evasion.

Smithsonian documents relating to the Axelrod gifts were requested by Senator Charles E. Grassley, Republican of Iowa, the chairman of the committee, which is looking into whether donors nationwide are inflating the value of such gifts as tax dodges. The Senate committee is to hold hearings on the tax implications of inflated values of charitable contributions on June 22 in Washington.

19

# Valuation of Non-Cash Gifts

**Internal Audit Says New Jersey Symphony Misled Public on Deal for Rare String Instruments**
Associated Press - 20 December 2004

NEWARK, New Jersey — The New Jersey Symphony Orchestra misled the public about the value and authenticity of rare stringed instruments it bought from a now-discredited philanthropist last year for $17 million, according to an internal investigation report released Friday [December 17].

The three-member review panel concluded that the "Golden Age Collection" is a unique asset to the orchestra but found fault with the way the orchestra carried out and publicized the deal.

The report found that NJSO officials continued to insist publicly that the 30 instruments by Stradivari, Guarneri and others were worth nearly $50 million long after three independent experts retained by the orchestra found that they might be worth as little as $15.3 million. The panel concluded that the orchestra likely paid market value for the collection because five of the instruments were not made by the master craftsmen to whom they were attributed.

20

# Matching Gift Compliance

CALIFORNIA STATE UNIVERSITY, FRESNO

FresnoStateNews.com

Click the FresnoStateNews logo to return to the home page
University Communications - 5241 N. Maple - Fresno, CA 93740-8027 - 559.278.2795

Featured: Faculty Who Energize Fresno State | Save Mart Center - Search | University Journal

Heading to a campus event? -- Use our online maps

**May 13, 2007**

## Independent accounting report commissioned by Fresno State finds flaws in matching gift program from 1986-2003

**President Welty orders repayment, underscoring importance of university's integrity and transparency**

An independent accounting report commissioned by Fresno State found that from 1986 until 2003 the university had benefited from up to $2.9 million in company matching gift funds which it was not qualified to receive based on restrictions in the companies' contribution policies.

All affected companies will be offered repayments of their donations, according to University President Dr. John Welty.

21

# If We Don't Fix Us, Others Will!

THE CHRONICLE OF PHILANTHROPY

*Connecting the nonprofit world with news, jobs, and ideas*

**The Watchdog**

Home > Community > Blogs > The Watchdog

| Previous | Next |
|---|---|
| ← Deceiving Donors and Putting Victims at Risk: a Recipe for Trouble | |

### Why State Officials Step In to Clean House at Nonprofits

**February 8, 2011,** 9:04 am

*By Bob Carlson*

One of an attorney general's main responsibilities is to step in when a nonprofit's leadership fails.

We do whatever is needed to preserve the organization's ability to serve its community. At times, we need to act aggressively to make sure an organization that is vital to its community continues to fulfill its mission. This happens more often than most nonprofit directors and executives probably realize.

What it often boils down to is this: Sometimes we need to clean house. My favorite example of what can happen involves a case I pursued awhile back against an animal shelter in Missouri.

This shelter was quite important to its community. It was the only shelter in town and one of only three in the four-county area it served. It also had a stunningly beautiful donated campus whose size was measured in acres. But a few years ago, it dissolved into chaos.

We first got complaints about the shelter's extremely poor financial practices. The board had no financial controls. There was a fair amount of cash in the shelter that was never documented or put somewhere secure. The treasurer's bimonthly report to the board was usually that day's bank-account balance written on the back of a torn envelope. Audits and financial statements didn't exist. The predictable financial difficulties were jeopardizing the shelter's operations and its beautiful campus.

The shelter's animal care was even worse than its financial controls. The shelter suffered outbreaks of kennel cough and parvovirus at much higher rates than normal.

The high outbreak frequency was due to poor animal care including inadequate kennel cleaning and quarantines and a lack of frequent veterinarian visits. A few volunteers became so concerned with the shelter's euthanasia rates, they staged what amounted to clandestine operations to save a few animals.

Then the most shocking allegation was proven true. The shelter's executive director admitted on a local evening news show that he had put kittens in a freezer to euthanize them.

22

# Confidence Crisis

*The Harris Poll®* **FOR IMMEDIATE RELEASE**

**TABLE 1**
**CURRENT CONFIDENCE IN LEADERS OF INSTITUTIONS (2009)**
"As far as people in charge of running (READ EACH ITEM) are concerned, would you say you have a great deal of confidence, only some confidence, or hardly any confidence at all in them?"
Base: All Adults

| | A Great Deal of Confidence | Only some Confidence | Hardly Any Confidence At All | Not Sure/Decline to Answer |
|---|---|---|---|---|
| | % | % | % | % |
| The military | 58 | 31 | 10 | 2 |
| Small business | 48 | 43 | 6 | 3 |
| Major educational institutions, such as colleges and universities | 40 | 48 | 12 | 2 |
| The White House | 36 | 36 | 25 | 4 |
| Medicine | 34 | 44 | 19 | 3 |
| The U.S. Supreme Court | 30 | 50 | 19 | 2 |
| Organized religion | 28 | 43 | 25 | 4 |
| Public schools | 25 | 50 | 24 | 1 |
| Television news | 22 | 48 | 28 | 3 |
| The courts and the justice system | 19 | 55 | 24 | 2 |
| Organized labor | 16 | 48 | 33 | 4 |
| The press | 12 | 46 | 41 | 1 |
| Major companies | 11 | 52 | 35 | 3 |
| Law firms | 11 | 55 | 30 | 4 |
| Congress | 9 | 47 | 42 | 1 |
| Wall Street | 4 | 33 | 57 | 5 |

Note: Percentages may not add up to 100% due to rounding.
* Less Than 0.5%



# Trust Generates Gifts

- Trust in the institution
  - Independent Sector Statement of Values and Code of Ethics for Nonprofit and Philanthropic Organizations
  - ePhilanthropy Ethics Policy
- Trust in the individual
  - CASE Statement of Ethics (endorsed by the Association of Advancement Services Professionals)
  - Code of Ethical Principals and Standards of Professional Practice for several professions
  - AASP Statement of Ethics
- Donors do have rights!

## The Ethics of Advancement

Excerpted from the CASE Statement of Ethics:

- Promote the merits of your organization without disparaging other institutions
- Words and actions embody respect for truth, fairness, free inquiry, and the opinions of others
- Respect and have tolerance for diversity
- Uphold the professional reputation of development officers, and give credit for ideas, works, or images created by others

25

## The Ethics of Advancement

- Safeguard privacy rights and confidential information
- Do not grant or accept favors for personal gain
- Avoid actual or apparent conflicts of interest
- Follow the letter and spirit of the law

26

## The Ethics of Advancement Services

- Central to the mission of the Association of Advancement Services Professionals (AASP):
- “**Ethics and Accountability:** Establish, affirm, and articulate the best standards of ethical practice for all advancement services professionals, both as individuals and as members of professional staff at their respective nonprofit organizations.”

27

## The Ethics of Advancement Services

- Formal Ethics Committee founded by Jonathan Lindsey (retired from Baylor)
- The current committee:
  - Lisette Clem (Bryant University, RI), Chair
  - Lynne Becker (eAdvancement Services, FL)
  - Wendy Gasparri (Umass Memorial Foundation)
  - Jaime Porter (NPR, DC), Board Liaison
- First formal policy developed and approved in 2010:

28

## The Ethics of Advancement Services

- Advancement Services Professionals, by virtue of their responsibilities within the advancement community, establish, affirm and articulate the best standards of ethical practice, both as individuals and members of professional staff at their respective nonprofit organizations. They have a special duty to exemplify the best qualities of their institutions and to observe the highest standards of personal and professional conduct. By example, Advancement Services professionals encourage their colleagues to embrace and practice these ethical principles and standards.

29

## The Ethics of Advancement Services

- **Confidentiality**
  - They safeguard privacy rights and confidential information, balancing an individual's right to privacy with the needs of their institutions to collect, analyze, record, maintain, use and disseminate information.
  - They follow the letter and spirit of laws and regulations safeguarding biographical and financial constituent data.
  - They observe these standards and others that apply to their profession and actively encourage colleagues to join them in supporting the highest standards of conduct regarding privacy rights and confidentiality.

30

## The Ethics of Advancement Services

- **Integrity**
  - They are accountable to internal and external constituents, maintaining transparency and honesty.
  - They are responsible stewards of the resources (human, financial, capital, et al) entrusted to their care.
  - They are committed to excellence and to maintaining the trust of their staff and constituency.
  - They respect the worth and dignity of individuals, recognizing their unique and valuable contributions at all levels within the Advancement organization, and demonstrate concern for the interests and well-being of individuals affected by their actions.

31

## The Ethics of Advancement Services

- **Service**
  - They create positive interactions with internal and external constituents and offer the necessary tools and solutions to achieve the organization's fundraising goals and objectives. They continuously improve systems and procedures in their provision of professional services, resources, and solutions.
  - They partner with their peers to achieve the goals and objectives of the Advancement organization.
  - They maintain an ongoing commitment to quality, which is representative of the following attributes and traits: accountability, accuracy, attention to detail, creativity, confidentiality, conscientiousness, dedication, dependability, determination, efficiency, integrity, perseverance, respect, thoroughness and timeliness.
  - They promote stewardship practices that are timely, personalized, sincere, creative, and flexible.

32

## The Ethics of Advancement Services

- **Practice**
  - They establish metrics and monitor progress to ensure the accuracy and timeliness of all transactional data.
  - They abide by applicable government regulations and industry standards.
  - They maintain appropriate and consistent accounting, budgeting and reporting methodologies.
  - They continuously pursue opportunities to enhance professional and personal skills, resulting in the highest levels of service to their donors and organizations; they seek out information and encourage their staff, at all levels, to pursue career development opportunities; and they share freely their knowledge and experience with others, as appropriate.
  - They pursue progressive methods and modifications to improve conditions for, and benefits to, donors and their organization. They incorporate innovative management techniques leading to the highest level of efficiency in operations.
  - They maximize the utilization of technology in daily operations, particularly relative to information systems and data management.
  - They contribute to and employ best practices in all areas of Advancement Services.

33

## Developing Metrics

- Managers and associates meet to jointly distill 3-5 major objectives from job description. Each objective should be SMART:
  - *Specific* – clearly stated
  - *Measurable* – measurable outputs defined according to criteria (quantity, quality, time..)
  - *Attainable* – achievable with stretch but still realistic
  - *Relevant* – relevant to the business needs and goals of department/organization
  - *Time-bound* – within a clear time-frame

34

## Developing Metrics

- Objectives should include:
  - Targets to support short-term development and performance improvement needs
  - Stretched targets to support longer-term *professional/career growth and development*
- Weigh objectives in beginning
- Track changes in objectives or weights during year:

35

## Redeveloping Metrics

- After half a year, both associate and manager reflect on the associate's performance and objectives
- The associate provides specific examples of progress and notes if previously established objectives remain realistic and achievable
- The manager reviews the associate's comments and feedback
- <u>No Written Rating</u> is provided at mid-year review:

36

## Redeveloping Metrics

- Have a face-to-face dialogue ensuring no interruptions or time-constraints. The conversation should include:
  - The associate's progress to-date
  - A review of objectives to ensure alignment with organizational needs
  - A re-alignment of objectives if necessary, to ensure objectives remain relevant, realistic and achievable



## How Metrics Keep Us Accountable

- 5-6 key indices should also be established for every department
- These should be compiled and published throughout on a regular basis
- We have no secrets!
- And we actually are doing something!

## How Metrics Keep Us Accountable

- Some Advancement Services benchmarks could include:
  - Number of records added; number of gifts/pledges processed
  - Number of address changes
  - Percent improvement in lost alumni
  - Found phone numbers
  - Found e-mail addresses
  - Prospects rated
  - Reports written
  - Report turnaround time
  - Other examples?
  - Complaints registered:

39

## Word Of Mouth Hurts More Than It Helps!

- Every unhappy customer will tell 10-20 other people about the problems they experienced with you
- Happy customers will relay their experience to only 3-5 people
- Impact from a negative experience is up to 4 times stronger than the positive experience!

40

**For Every Complaint Filed There Are 26 Other Unresolved Complaints or Problems! Advancement Services Is Responsible For Preventing That First Complaint!**

41

## What's New from the IRS?

- More nonprofit audits - 7,861 in '08 – 11,449 last year!
- Continued focus on UBI (more in a bit)
- Employment tax reporting practices
- Loans to executives, trustees, and key employees ($5MM+ in penalties last year!)
- Supporting organization scrutiny
- 990 Reconstruction:

42

## Redesign of IRS Form 990

- The redesign of Form 990, the first since 1979, is based on three guiding principles:
  - Enhancing transparency to provide the IRS and the public with a realistic picture of the organization, along with the basis for comparison to other organizations.
  - Promoting compliance by accurately reflecting the organization's operations so the IRS may efficiently assess the risk of noncompliance
  - Minimizing the burden on filing organizations (okay – who believes THAT?).

**Highlights of the Draft Redesigned Form 990 (June 14, 2007), irs.gov**

43

## Redesign of IRS Form 990

- Among the highlights of the new form
  - A summary page providing the organization's identifying information and a snapshot of the organization's key financial, compensation, governance, and operational information.
  - A portion of the form requiring governance information including the composition of the board, and certain other governance and financial statement practices.
  - Schedules that will focus reporting on certain areas of interest to the public and the IRS: fundraising, compensation, hospitals, tax exempt bonds and non-cash charitable contributions.

**Highlights of the Draft Redesigned Form 990 (June 14, 2007), irs.gov**

44

## Losing Our 501(c)(3) Status

- When we cease to be operated exclusively for exempt purposes:
  - Must engage *primarily* in activities that accomplish exempt purposes
  - No more than an *insubstantial* part of our activities can be for non-exempt purposes
- Let's expand on this:

45

## Losing Our 501(c)(3) Status

- The area of UBI is complex but basically it means that your organization may not receive income from a regularly-carried-on trade or business that is not related to your mission.
- If you generate funds from a business activity but it is not regular, you will probably have to pay taxes on that income but it won't jeopardize your tax-exempt status. An example would be selling merchandise once a year at a fair.

46

## Losing Our 501(c)(3) Status

- If your organization earns more than $1000 in unrelated income during the year, it must file IRS form 990-T, Exempt Organization Business Income Tax Return.
- You could be in trouble if UBI takes up more time and attention than your mission.
- There's a great IRS online tutorial here:
  - http://www.stayexempt.org/VirtualWorkshop.aspx

47

## Losing Our 501(c)(3) Status

- Must not operate for the primary purpose of conducting a trade or business not related to its exempt purpose
- May not provide commercial-type insurance as a *substantial* part of its activities
- May not have activities that are illegal
- Must satisfy annual filing requirements

48