

Ethics, Part 5

Nonprofit sector panel aims to boost transparency.

By **Todd Cohen** (<mailto:tcohen@ajf.org>)

In a report to the Senate Finance Committee in June, the Panel on the Nonprofit Sector made 124 recommendations that its executive director says are designed to work together to address a broad range of interconnected problems that cannot be fixed piecemeal.

To curb abuses in the use of donor-advised funds, for example, the panel has called for barring the use of those funds to benefit donors or their family members, and for a minimum payout rate of 5 percent on aggregate fund assets.

And to keep donors from taking tax deductions that exceed the market value of non-cash gifts such as land, clothing and household goods, the panel calls for clearer rules for valuing those gifts, says Diana Aviv, who heads the panel and is president and CEO of Independent Sector in Washington, D.C.

Equally critical in tackling unethical behavior, she says, is the need to require that nonprofits and private foundations submit more detailed and consistent information in the Form 990 and Form 990PF annual reports, respectively, that they must file with the IRS.

"The problem with those forms in the current structure is that the questions are so unclear, and the way people fill out the answers can diverge so greatly, that it's not a useful document," she says. "You have to have the right documents to provide opportunities for transparency."

Greater nonprofit openness depends both on voluntary action on the part of nonprofits and tougher enforcement by regulators, Aviv says.

"For those people who deliberately come into the system to benefit themselves, they are not going to voluntarily comply because some industry standards tell them to do it," she says. "In those instances, you have to have a system of enforcement where the IRS and state oversight officials go after those people who won't be transparent and won't necessarily be influenced by peer pressure."

A combination of voluntary action and tougher enforcement will increase nonprofit transparency, she says, giving donors, volunteers, nonprofits and regulators more useful tools for weighing the ethics of charitable decisions and operations.

"Transparency provides a mirror into the activities and behavior of organizations," and provides the basis to "make judgments about them," she says.

And transparency is important, she says, in a sector in which ethical concerns are central to the mission of "social justice, building decent communities and civil society."

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