Ethics, Part 3

Nonprofits face challenge of knowing the rules.

12.08.2005 -

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

Because they are private organizations formed to deliver value to the public, nonprofits face a constant tension, says Eugene Tempel, executive director on the Center for Philanthropy at Indiana University.

"They're not public organizations," he says, "but have to conduct themselves as if they were because they provide the public good."

That tension, combined with limited resources and a lack of training and awareness about ethics and laws, can get nonprofits into trouble, experts say.

Needing printed materials, for example, a leading Pennsylvania nonprofit worked with a printing company, headed by its board president, that waived its labor and setup fees and charged only for the cost of ink and paper, says Joe Geiger, executive director of the Harrisburg-based Pennsylvania Association of Nonprofit Organizations.

The nonprofit, in fact, did legitimate business over the course of a year with companies tied to as many of 12 of its board members, Geiger says.

Where the nonprofit erred, he says, was in the failure of its accountant to check a box on a state form disclosing whether the organization had a "blood-entity relationship" between board members and groups with which the nonprofit does business.

The accountant did not believe businesses could be "blood entities," and the executive director "assumed the accountant knew what he was doing," Geiger says. "They put themselves into exposure."

The problem, he says, was a lack of education.

Of the few of its 27,000 members of the Association of Fundraising Professionals who run afoul of its Code of Ethical Principles and Standards of Professional Practice, most "usually don't know the code restricts them from doing something," says Paulette Maehara, president and CEO of Alexandria, Va.-based group.

Those standards cover issues ranging from honoring the intent of donors who have died to making sure that any compensation for fundraising professionals tied to their performance is not based on a percentage of what they raise.

"Self-regulation like this is important because it fosters donor trust," Maehara says, "and trust is the underpinning of philanthropy."

Next: *Accountability urged for governance, operations.*

Other stories in the series:

Part 1: Nonprofits wrestle with ethics
(newsarticle.cfm?articleid=97728&ptsidebaroptid=0&returnto=index.cfm&returntoname=US%2FWorld&siteid=1664&pageid=15163&sidepageid=15163)
Part 2: Growth, pressure, lack of awareness fuel focus on ethics.
(newsarticle.cfm?articleid=98373&ptsidebaroptid=0&returnto=index.cfm&returntoname=US%2FWorld&siteid=1664&pageid=15163&sidepageid=15163)

http://philanthropyjournal.org/lu.cfm?lu=367