SESSION OVERVIEW

- Definitions
- The 6 Virtues of Ethical Fundraisers.
- Review A Donor Bill of Rights.
- Explore Ethical Considerations in Fundraising.
- Examine Case Studies
- Ethics Quick Quiz
WHAT IS ETHICS? WHAT IS SOCIAL RESPONSIBILITY?
AND HOW DOES IT RELATE TO FUNDRAISING?
DEFINITION OF ETHICS

Origin
- The word “ethic” is derived from the Greek word “ethos” meaning being, behaving and becoming.

Merriam Webster Dictionary
- The discipline of dealing with what is good and bad and with moral duty and obligation
- A set of moral principles
- The principles of conduct governing an individual or group
- A consciousness of moral importance
Social responsibility is an ethical framework and suggests that an entity, be it an organization or individual, has an obligation to act for the benefit of society at large.

Social responsibility is a duty every individual has to perform so as to maintain a balance between the economy and the ecosystems.

Social responsibility is the practice of ethics as individuals—especially as professionals—in society.

We are all obligated to others to act ethically.
An ethical fundraiser aspires to:

- Observe and adhere to the AFP Code of Ethical Principles and Standards;
- Build personal confidence and public support by being trustworthy in all circumstances;
- Practice honesty in relationships;
- Be accountable for professional organizations and public behavior;
- Seek to be transparent and forthcoming in all dealings; and
- Be courageous in serving the public trust.
6 VIRTUES OF ETHICAL FUNDRAISERS
A GUIDE FOR OUR BEHAVIOR AS FUNDRAISING PROFESSIONALS
OBSERVANCE

THE STANDARD
TRUSTWORTHY
THE HEART
ACCOUNTABILITY
A DUTY
HONESTY
THE HIGH ROAD
TRANSPARENCY

THE OPEN BOOK
COURAGE
THE STRENGTH
DONOR RIGHTS
A DONOR BILL OF RIGHTS
A DONOR BILL OF RIGHTS

I. To be informed of the organization’s mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.

II. To be informed of the identity of those serving on the organization’s governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.
III. To have access to the organization’s most recent financial statements.

IV. To be assured their gifts will be used for the purposes for which they are given.
A DONOR BILL OF RIGHTS

V.
To receive appropriate acknowledgement and recognition.

VI.
To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law.
VII. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.

VIII. To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.
A DONOR BILL OF RIGHTS

IX.
To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.

X.
To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.
You are the Chief Development Officer of a nonprofit organization. A charity portal internet company contacts you with the following offer:

- For $2 per name, the Prospect Research department of the company will send to you each month the names and addresses of donors who have contributed $100 or more via the company’s website to organizations similar to yours.

A. Would this arrangement be acceptable under the AFP Code of Ethical Principles and Standards?

B. Suppose that, instead of the foregoing plan, the internet company offers to send you the names and addresses of contributors to other similar organizations without charge if you will list your organization on the company’s website and pay its normal fee for processing contributions. Would this plan be acceptable under the AFP Code?

C. Suppose the internet company offers simply to send you a monthly list of the names and addresses of contributors to your organization for your own donor-recognition and prospecting purposes, if you will list your organization on the company’s website and pay its normal fee for processing contributions. Would this work?

*Case studies in this presentation provided by Nonprofit Fundraising Strategy, 2013 edited by Janice Gow Pettey*
ETHICAL CONSIDERATIONS

PRIVACY, COMPENSATION, DIRTY FUNDS, CONFLICTS OF INTEREST AND DECISION MAKING
Privacy and Fundraising

- Privacy is a very tricky concept in fundraising
- The issue of privacy is not very clear
- Do people have a “right” to privacy?
- Right to privacy vs. the need to know
- Peer screening and privacy
- Donor wishes about privacy
- Controversial donors
- Donor databases
Two small arts organizations each have struggled to generate sufficient public awareness for a community-wide annual fund campaign. The director of development of one organization suggests that if the organizations pool their resources, they can maximize their visibility in the community, minimize their individual costs and increase their chances for a successful campaign.

A. If the two organizations worked from their own donor lists, would this arrangement be acceptable?

B. If the two organizations pooled their lists and hired a telemarketing firm to conduct a joint campaign, would this be compliant?

C. Would it be permissible under the Code for organizations to work together in a fundraising drive?

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COMPENSATION

- Percentage-based compensation
- Incentive compensation
  - Percentage of salary or fee
  - Weight/Rate system
You are considering a position with a nonprofit organization as the director of an upcoming capital campaign. The CEO offers you a salary and an annual incentive bonus “in steps” if the campaign meets certain milestones. The salary he offers is a little less than you hoped for, but the bonus would be 25% of your annual salary if the campaign reaches its first year goal, 25% if the campaign meets its second year goal and 50% if the campaign reaches its third year goal.

A. Would you be violating the Code if you accepted this compensation package?

B. Suppose the CEO said you will be required to keep the bonus arrangement confidential because the organization has a policy of keeping the terms of individual employment confidential. Only one or two other managers in the company have bonus provisions; in fact, only two other managers besides the CEO have employment contracts. Is this acceptable?

C. Suppose the CEO offered to base the bonus each year on the amount as well as the number of gifts and pledges in the campaign. Would this be compliant with the Code?

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DIRTY FUNDS

- Funds that raise questions of propriety
- Types of tainted funds:
  - Illegal money
  - Insider dealings
  - Donor maintained interest
  - Lack of integrity
- AFP Code of Ethical Principles and Standards re: tainted money
CASE STUDY 4

A city hospital desperately needs a critical care wing. The nearest facility is 250 miles away, and patients needing critical care often do not survive the trip. Shortly after the hospital board announces a capital campaign, a local businessperson offers to donate the entire cost of the new wing, provided the hospital names the wing after him.

A. Suppose the donor is known as an underworld figure who allegedly makes his money from drug trafficking. Would it be a violation of the AFP Code to accept the money?

B. Suppose the donor in question actually went to jail for drug trafficking, served his time and is now “legit.” Would it be okay to accept the money?

C. Suppose the donor is willing to forget putting his name on the building but will give the money only if he is named to the hospital board. Should you accept the gift?

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CONFLICTS OF INTEREST

- Link between Ethics and Fiduciary Duty
- AFP Code of Ethical Principles and Standards
- Conflicts of Interest & the Appearance of Impropriety
- The “Smell Test”
As the Chief Development Officer for a youth organization, you learn from a donor that the son of the chair of your board has been calling donors to the organization to solicit business for his investment company.

A. What should you do?

B. Suppose that investigation reveals that the son obtained the list of donors from the printed program of your organization’s recent recognition dinner. Would this practice be acceptable?

C. Suppose your investigation reveals the board chair has been giving the names of donors and acquaintances to her son to help him get his business started. What should you do?

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ETHICAL DECISION MAKING: A ROADMAP

- Clarify the problem
- Identify the key, competing values at stake
- Identify the players and stakeholders
- Identify the most plausible alternatives
- Imagine and evaluate the potential outcomes
- Decide on a course of action
- Test the decision
- Share the decision with someone else
- Implement the decision
- Evaluate the results or consequences
- Modify policies and procedures
CASE STUDIES

PUTTING ETHICS INTO PRACTICE: SOCIAL RESPONSIBILITY
A large nonprofit institution has recruited you to be the chief development officer and director of volunteers. The institution offers you a compensation plan consisting of a base salary, a variable bonus based on your performance in several areas of the job, and the institution’s standard employee benefits package. The amount of the variable bonus will be based on the number of personal solicitations for major gifts you make, the number of planned gifts that your department writes, and the number of active volunteers the department recruits during the year, plus a percentage of the revenue from all sponsorships.

A. Would a compensation plan of this type pass muster under the Code?

B. Suppose the compensation plan consisted of a salary plus a percentage of all revenue produced from sponsorships and fee-for-service activities. Would that work?

C. Suppose the compensation plan consisted of a salary plus a bonus of $5,000 if the annual fund reaches goal and, if the annual fund exceeds goal, a bonus of $1,000 for each percentage point by which it exceeds goal. Would this be acceptable?

*Case studies in this presentation provided by Nonprofit Fundraising Strategy, 2013 edited by Janice Gow Pettvey
You are the director of an international emergency relief program. Within one month, three large-scale disasters occur: an earthquake in Mexico, a hurricane in the Pacific, and a flood in the United States. Because of the severity of the disasters and the thorough, constant media coverage, donations have been pouring in. Most gifts are designated to either the earthquake or the hurricane victims; however, many people in the US have lost their homes in the flood and are in desperate need of help.

As time passes, you see that the relief needs of the hurricane and earthquake victims will be easily met by the 60% of the relief money coming in, but more than 95% of the money is designated by the donors for the hurricane and earthquake, leaving you with insufficient funds to meet the needs in the US.

A. Would it be a violation of the Code to use some of the donations designated for the earthquake or hurricane victims to assist victims of the flood?

B. To comply with the Code, should you return the donations that were not needed in the areas for which they were designated?

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You are a development officer in a 3-person development office. One day, while reviewing your IRS Form 990, you discover a sizeable difference between the total amount of donations reported on the form and the amount published in the institution’s campaign publicity. When you ask the CFO about the discrepancy, the CFO replies, “Don’t worry, the form is only an informational return. The revenue agency does not audit it.”

A. To be consistent with the AFP Code, what should you do?

B. Suppose the form is prepared each year by the organization’s accounting firm. Under the AFP Code, would this arrangement absolve you from any duty in connection with the form?

C. Suppose you bring the discrepancy to the attention of the CEO, and the CEO says, “Don’t worry about it. I will take full responsibility.” To be compliant with the Code, what should you do?

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ETHICS QUICK QUIZ

TRUE OR FALSE

1. It is acceptable to hire a fundraising practitioner and compensate that individual with a percentage of the money raised.

2. By hiring someone who is local, an organization gains access to the people that individual has successfully solicited in the past.

3. A check dated December 31 is credited in that calendar year.

4. Conflict of interest policies are guidelines to which board members may turn for recommendations. These policies do not have legal impact on the organization.

5. Development professionals may not give legal advice in the area of planned giving.

6. Bonuses may not be ethically accepted by development professionals.

7. Development professionals may share a donor’s personal file with another donor interested in making the same kind of gift.

8. Development professionals must declare conflicts of interest just as board members must.
9. Once a donor gives a contribution designated for use in a particular program, the organization may use it to fill whatever need exists.

10. Fundraising professionals may pay finder’s fees for bringing new gifts to the organization when the gift identified is larger than the fee.

11. Fundraisers may rely on other staff in the organization to track all legislation affecting the development process.

12. Board members may rely on the CFO to ensure that donations are used as intended by the donor.

13. The CEO or Executive Director is held accountable for all unethical fund development practices in the organization.

14. Fundraising professionals are held accountable for activities that may conflict with their fiduciary, ethical and legal obligations to their organizations and clients.

15. A board member proposes a new prospect who has worked with the development officer in his former position at another organization. It is not ethical for the development officer to be the first contact to that prospect.
QUESTIONS?

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JUNE 27, 2017