Managing Fundraising Risks

Jennifer Chandler Hauge
Senior Counsel and Director of Special Projects
Nonprofit Risk Management Center
jennifer@nonprofitrisk.org

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Nonprofit Risk Management Center
• Created to help nonprofits solve risk management challenges
• Free technical assistance
• Books, Web site, conferences,
• Consulting help with policy development, review of insurance and risk assessments
• www.nonprofitrisk.org
• Free e-news and electronic newsletter

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Key Concepts
• Fundraising is a regulated activity = legal obligations and penalties
• Fundraising is a public activity that impacts your image and your reputation
• Fundraising should be consistent with your mission
• Fundraising requires accountability and management
• Good governance entails paying attention to policies that can manage risk in fundraising

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What can go wrong?

- Criminal penalties for failure to follow state registration requirements; IRS penalties too
- Funders can refuse to make grants to organizations that do not comply with state registration requirements
- Funding partners can embarrass an organization and negatively impact its reputation
- Rogue staff and failing to “manage the message” can negatively impact relationship with donors

Checklist...

1. Follow registration requirements
2. Be aware of IRS prohibitions against private benefit
3. Partner with care
4. Establish policies for gifts, donor relations and outside fund raising professionals
5. Manage the message

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Contribution to a children’s hospital in Columbus, Ohio results in the hospital being renamed in honor of Abercrombie and Fitch

- Does renaming the hospital further the mission of the Children’s Hospital? (Arguably, no)
- Is renaming the hospital critical for donor relations with Abercrombie & Fitch? (No)
- Is there anything legally wrong with the result that the hospital was renamed? (No)

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Fundraising is a regulated activity in all states.
39 states require registration PRIOR to any solicitation activity
10 states do not require registration:
Idaho, Indiana, Iowa, Montana, Nevada, North and South Dakota, Texas, Vermont, Wyoming

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Do we really need to register?
• Yes. Especially if you raise funds from residents of New Jersey, New York, Pennsylvania, Florida and California
• The Uniform Registration Statement can be used in multiple states and the following web site is a great resource: www.multistatefiling.org
• Only 3 states do not accept the URS: Florida, Oklahoma and Colorado

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Other Registration Pitfalls
• Commercial Co-Ventures: Partnering arrangements with another entity that results in sharing the revenue from sales
• Joint Fundraising - who registers? Who gets what share of the revenue raised? What if your partner pulls the plug?
• Are you on “the list”? Check your state’s list and make sure your organization is on it.
• Penalties for late filing

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**What about a “Donate here” button on our web site?**
The internet makes it possible to solicit residents of any state, from anywhere.
Registration is a business decision that involves weighing the risks of penalties against the benefits of registration.

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**Disclosure Language**
Many states require each written solicitation to include specific language about the charity’s registration with that state.

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**What other risks arise in connection with solicitations?**
- Fraudulent fundraising: misleading or untruthful solicitations
- Using photos of clients without authorization
- Restrictions on gifts that are unintended
- eMail solicitations or telephone calls that annoy and turn off donors as well as violate federal CAN-SPAM Act — See FCC regulations:
  - www.ftc.gov/bcp/conline/pubs/buspubs/canspam.shtm

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Using Professional Fundraisers: What’s the Big Deal?

- Contracts with outside fundraisers -- Establish whether they are employees or independent contractors
- Registration of professional fundraisers with the state may be required
- All eyes are on fundraising costs -- choose fundraising professionals with care

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Gift Acknowledgements

- What the IRS requires
- What donors expect
- What are the risks?


Gift Agreements

- Establish what gifts the charity will and will not accept
- Clarify restricted or unrestricted nature of a gift
- Keep in mind that whether or not a charity has a written policy for acceptance of “non-standard” gifts is now reportable on the IRS Form 990

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Annual Funds, Capital Campaigns, and other special campaigns

- What do you do when the original purpose for the gift is no longer possible?
- What special risks are involved in annual funds?
- Capital campaigns in the post-“bailout” era
- Special fundraising risks – internet advertising, auctions, corporate support and respecting donor privacy

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Donor Bill of Rights

- Association of Fundraising Professionals – see www.afpnet.org
- Donor privacy and anonymous donors
- Transparency
- Gift Acknowledgments

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A Resource For You

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Resources on Fundraising

- Nonprofit Genie. View Frequently Asked Questions www.genie.org, click on “FAQs”, then on “Fundraising”
- Association of Fundraising Professionals www.afp.org
- Evangelical Council for Financial Accountability www.ecfa.org

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Thank You!
Contact us with questions:
info@nonprofitrisk.org

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Next Month’s Webinar
Special Event Risks
- December 3, 2008
- 2:00 – 3:00 pm EST

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