

# SELECTED ISSUES IN ETHICS

FOR NONPROFITS

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**CORE**  
CORPORATE CONSULTING

# What is Ethics?

- Principles and values
- Compliance with legal obligations (State Attorney General, IRS)
- “...values...in performing their responsibilities for generating philanthropic support... and the mission...” AFP Code of Ethical Principles and Standards, 2007
- Maintaining the public and client trust

# Ethics Topics

- Mission focus
- Ethical behavior
- Conflicts of interest
- Board governance
- Fundraising
- Transparency
- Confidentiality
- Social Media
- Volunteers
- Interaction with public officials

# Mission Focus

- Acting consistent with and for the benefit of the mission
- Do no harm
- No conflict with fiduciary, ethical, legal obligations

# What Did Livestrong do?

- Asked Armstrong to “step away for the sake of preserving” the cause
- Reframe message around mission: “Fight with us”
- Move Livestrong Day from anniversary of cancer diagnosis to launch of wristbands date

# Ethical Behavior

- SCENARIO #1

# Ethical Behavior

- Acting with integrity
- Whistleblower
  - Encourage staff to speak up
  - Confidential reporting mechanism
  - No retaliation
- Avoiding appearance of impropriety
- Full disclosure

# Ethical Behavior

- Demand Media hires Armstrong as spokesman
- DM Develops Livestrong.com (commercial health and fitness website with advertisers)
- Foundation gets 184,000 shares of DM @\$17 pre-IPO (\$25 post-IPO)
- Armstrong gets 156,000 shares; donates to Foundation
- Armstrong's sports management co. gets 28,000 shares



# Conflicts of Interest

- Intertwine business interests of founder, director, management with that of the nonprofit
- Personal interests/agendas, should not be greater than the interest of the mission of the organization.
- Private interest of staff or director interferes—or appears to interfere—with interests of organization
- Receipt of improper personal benefits as result of association with organization
- Disclose all potential and actual conflicts of interest
- Interferes with ability to make objective decisions or perform duties objectively and effectively
- Exploit relationship with donor, prospect, volunteer, client or employee

# Conflicts of Interest

- Livestrong hires same lobby firm as represents Armstrong in doping case for “issues related to support for the foundation’s activities”
- Livestrong sells rights to name to commercial media company for which Armstrong is spokesman

# Conflicts of Interest

- Sports drink company appoints Armstrong to Board with financial stake
- Sports drink company offers Foundation percentage of profits (\$250K)
- Foundation makes sports drink company official sports drink at all events
- What should it have done?

# Conflicts of Interest

- Pursue deal with widely distributed drink
- Demonstrate agreements in best interest when appearance of conflict

# Board Governance

- Board responsibility to set ethical standards; permeate throughout organization
- Code of Ethics; Conflicts of Interest Policy
- Board members qualified, understand duties, act for organization and public benefit
- Ensures resources prudently managed (fbo programs)
- Board diversity
- Comply with laws and regulations

# Fundraising

- Scenario #2

# Fundraising

- No compensation based on percentage of contributions (AFP)
- No finders or contingent fees
- All solicitation and communication materials accurate
- Consistent with donors intentions
- Keep donors informed, especially during crisis (prompt, truthful)
- Treat donations with respect and confidentiality if desired
- Accurate and consistent accounting methods (AICPA Guidelines)

# Transparency

- Scenario #3



# Transparency

- Timely and accurate information to public, media, all stakeholders
- Inform donors

# Confidentiality

- Client relationships
- Confidentiality in the Boardroom
- Compensation
- Omit client's actual name in donor appeals
- Omit details that might disclose identity
- Signed release; express consent
- Use photo's of staff
- Amalgamate stories
- Give client opportunity to edit

# Confidentiality

- Disclosures of physical, mental or emotional abuse; family problems; substance abuse; criminal behavior; sexual activity; suicidal thinking
- Need to protect against embarrassment, discrimination, personal/family security/job security
- Limit disclosure to authorized personnel or agencies dealing directly with welfare
- ROI
- Threat to welfare or wellbeing may require disclosure

# Limits—Duty to Warn

- Intends to harm self or others
- Appropriate authorities and emergency responders

# Client Confidentiality

- Stick to time period and breath of Release of Information
- Why is it important to share the information
- How will the client benefit?
- Does sharing information outweigh confidentiality?
- Respect client's right to revoke
- Consider competency of signor (age, disability)
- Discuss limits
- Duty to report abuse or neglect

# Social Media

- Client communication via email/text: establish guidelines; supplement but not replace face to face follow up
- Don't "Friend" your client!
- Gather client information: consider intent, implications for care
- Online education: ensure accuracy; refer only to reputable sites
- Blogs: consider content and image of agency; don't vent
- Maintain separate personas for online social behavior
- Communication with colleagues: ensure security protocols; HIPAA; policy for mobile access of confidential information

# Volunteers

- Scenario #4

# Interaction With Public Officials

- Avoid illegal or unethical activity
- Avoid giving gifts, including meals, entertainment, transportation and lodging



# In the End....

- Establish an ethical culture from the top
- Code of Ethics
- Compliance Programs
- Whistleblower
- Promote sound financial management
- Accountability

# Questions?

Deborah Macdonald, Esq.  
Core Corporate Consulting

[www.corecorporateconsulting.com](http://www.corecorporateconsulting.com)

859.760.8482

