THE NONPROFIT TIMES

The Leading Business Publication For Nonprofit Management • www.thenonprofittimes.com • $6.00 U.S. October 1, 2014

Pages 19-21 Special Report on Direct Response Fundraising

Save The Children Rescued Donors In Its Mail Universe Via Merge/Purge

By Richard H. Levey

CASE STUDY

Nonprofit executives in charge of generating names for mail campaigns might have been making their jobs harder. Implementing a few merge-purge best practices can open up new quantities of viable prospects -- even from in-house lists.

That's what Save the Children found when it took a hard look at its list practices. The organization had been giving low priority to its house list during its merge-purge activities. As a result, when the service bureau reconciled names from rented or exchanged lists with those on the organization's own file, Save the Children would count the names on the outside lists as new prospects – and pay for them.

This wasn't the only flaw in the organization's merge-purge process. Save the Children had also been using a much larger than necessary suppression file. By adjusting the parameters for what made a name worth suppressing, it reduced the size of the file by more than 1 million names, thereby reducing the processing costs each time it ran the file.

When Elena Consalvo joined Save the Children three years ago, her initial mandate was to bring the acquisition program in-house. As part of this endeavor, Consalvo, who is the organization's director of direct mail and catalog marketing, sought to correct flaws in the collection

Merge/Purge, page 5

Harvard School of Public Health
Photo by John Phelan

Harvard Trumpets Gift, But Mutes The Details

By Patrick Sullivan

A recent $350 million donation is the largest gift ever received by Harvard University. There was a press conference that was also live streamed. But, the school really doesn't want to answer any questions about its details.

The gift to Harvard's School of Public Health is from the Morningside Foundation, based in Newton, Mass., and founded by the family of Harvard alum Gerald Chan. It eclipses recent gifts from Harvard alumni Kenneth Griffin ($150 million) and Hansjorg Wyss ($250 million in two gifts).

Harvard's School of Public Health (HSPH) will be renamed the Harvard T.H. Chan School of Public Health, in honor of Chan's late father.

"This extraordinary gift from the Chan family will enable Harvard's School of

Harvard, page 4

SEC Crowdfunding Rules Pose Challenges, Create Opportunities

By Julius A. Karash

At first glance, the Securities and Exchange Commission's (SEC) proposed rules on crowdfunding don't appear to have much to do with the nonprofit world. The rules are designed to make it easier for small businesses and startups to raise capital and provide additional opportunities for investors.

Experts agree that nonprofits would not be directly affected by the SEC rules, note an emphasis on directly. "It wouldn't impact the way nonprofits raise money, because crowdfunding as described by the SEC applies to what we traditionally think of as investments," said Miriam Kagan, senior principal at Kimbia, an online fundraising platform and service provider in Austin, Texas. "With a charitable donation, there's no expectation that you, the donor, will be getting some sort of return, other than perhaps a story about how you made an impact."

But in an era when technology is forging ever-closer capital raising connections, there is a consensus that nonprofits and for-profits do not operate in isolation from each other and can impact each other in a variety of ways -- and even learn from each other.

"Crowdfunding has become a confusing term. *--Miriam Kagan*

"I think it's a good inflection point for nonprofits to go out and take a look and see what their for-profit brothers and sisters are going to do with this, and how it reflects into the nonprofit world, said David J. Neff, author and consultant to nonprofits, also in Austin, Texas.

Crowdfunding, page 4

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1-386-246-0103

BPA INTERNATIONAL

The NonProfit Times is published semi-monthly A one-year subscription is $65 US, $89 US Canada and $129 US for international. The NonProfit Times (ISSN 0896-5048) USPS #001-548 is a publication of NPT Publishing Group, Inc. Periodicals postage paid at Morris Plains, NJ and additional entry points. Unsolicited manuscripts are welcome, but The NonProfit Times does not assume responsibility for their return. None will be returned without a self- addressed, stamped envelope. No material in this publication may be photocopied or reproduced in any form whatsoever with out permission of the Publisher. Views expressed by independent columnists or correspondents are theirs and do not necessarily represent the views of NPT Publishing Group, Inc.

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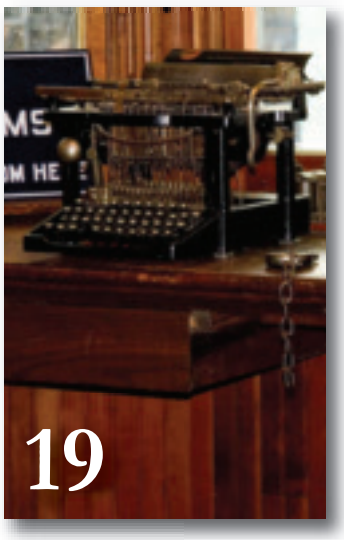


Special Report

News

Columns

Departments

Corrections

In the story, "A Seat At The Table," on Page 1 of the Sept. 1, 2014 print edition, it was reported that AARP operates a Political Action Committee (PAC). It does not. AARP operates a nonpartisan 501(c)(4) social welfare organization but it does not operate a PAC, does not endorse candidates, give money to candidates, or have anything that is a PAC or Super PAC.

In the story, "Jail Time" on Page 8 of the Sept. 1 print edition, it should have said that the law limits the benefits given to donors to just 2 percent of their gift – not 20 percent. In the example given of $1,000 donors, nonprofits in that case would be limited to $20, not $200 of benefits to donors.

CROWDFUNDING

Continued from page 1

Online crowdfunding -- also known as crowdsourcing -- gained traction during the early 2000s with platforms such as Kickstarter, which raises money to finance creative projects. Congress in 2012 created an exemption to allow businesses to offer and sell securities via crowdfunding. Title III of the Jumpstart Our Business Startups (JOBS) Act laid the groundwork for a regulatory structure for this, and the SEC was directed to write the rules.

Neff said for-profit crowdfunding might generate more competition for crowdfunded dollars sought by nonprofits. "At the end of the day, am I going to give to a nonprofit with the limited money I have in my wallet, or am I going to give it to my friend who's opening a hair salon or a candy store?"

Neff thinks implementation of the SEC rules would raise public awareness and generate positive attention around crowdfunding overall, and thereby create opportunities for nonprofits.

"If you worked in a nonprofit, you could highlight this as a further legitimization of crowdfunding, and use it as a point to talk to your board, or your vice president of fundraising, or your executive director," Neff said. "You could say, 'I'm really interested in this for an upcoming campaign. It's becoming more and more a legitimate way of raising funds. I'd like to go do research to see how this would affect our nonprofit.'"

Ryan Rutan, founding partner of the Fundable.com platform, agreed that nonprofits stand to benefit from the SEC rulemaking. "It will have a good impact on the nonprofit sector. As we expand this model of funding, and it becomes more common and people are more exposed to it on a wider level, it will become more accepted, and people won't think twice about opening their wallets to these kinds of things."

At crowdfunding site Indiegogo, Co-Founder and Chief Development Officer Danae Ringelmann said she and her colleagues are excited about the prospect of for-profit businesses opening up crowdfunding to wider participation. "While nonprofits will not be directly impacted by equity crowdfunding, the new-found ability for regular people (not just high net worth individuals) to invest into projects small and large with a chance of financial return, will strengthen society's view of and comfort-level with collective capital as a vehicle for sustainable and community-driven change," she said.

Kagan noted that many of the SEC's proposed rules focus on transparency and clarity in crowdfunding transactions. As examples, companies that conduct a crowdfunding offering would be required to disclose a description of the company's business and use of the proceeds, and a description of the company's financial condition.

"At the end of the day, am I going to give to a nonprofit with the limited money I have in my wallet, or am I going to give it to my friend who's opening a hair salon or a candy store? --David J. Neff

"Crowdfunding has become a confusing term," Kagan said. "Hopefully, having some guidance from the SEC around the commercial side of this will force a lot more transparency in general in the market, and point the way to go for nonprofits."

Regardless of what the SEC does, nonprofits should "focus on how they can provide clearer options to supporters, through either home-grown platforms or platforms that give them a lot more control over their message, over how money is raised, over data," Kagan said.

Dana Ostomel, founder and CEO of DepositaGift.com, a crowdfunding website for personal and organizational fundraising, said nonprofits should "ride the wave of awareness" being generated by the SEC rules. "Now is the time to take advantage of this type of resource, when crowdfunding is being seeded into the awareness of the global populace because of the high-profile nature of the SEC rules, and use this as an opportunity to distinguish themselves from other types of crowdfunding campaigns, especially other types of charitable good campaigns." *NPT*

Julius A. Karash is freelance business writer based in Kansas City, Mo.

HARVARD

Continued from page 1

Public Health to tackle intractable health problems and to translate rigorous research into action and policy worldwide," said Harvard University President Drew Faust via a statement. "The Chan family's generosity sends a signal to the world: This is the public health moment. We are honored by this gift; it will inspire a new generation of public health leaders."

The gift will be an unrestricted endowment, HSPH Dean Julio Frenk said during the press conference. "This gift will put the school on a very sound financial basis that ensures sustainability," said Frenk. "The principal will not be spent, it will be there in perpetuity. We will reap the benefits of that investment."

Frenk specifically called out more financial aid, a loan forgiveness program and early-stage research funding as possible uses for the gift. He also outlined four broad purviews for the gift: old and new pandemics; harmful social and physical environments; poverty and humanitarian crises; and, failing health systems. "People, pathways to ideas, and research will be the priorities of this gift," said Frenk.

Harvard officials declined to discuss the gift any further than the announcement and the press conference, citing privacy concerns and donor confidentiality. Officials would not discuss the gift's timeline for implementation, stewardship of and relationship building with the Morningside Foundation or more specific uses for the gift.

Stephanie Mitchell/Harvard Public Affairs and Communications

"On behalf of my mother and my brothers, I want to express how pleased we are that the legacy of our late father can be honored by this gift to HSPH. --Gerald Chan

The Morningside Foundation's gift was awarded in the midst of a capital campaign to support the HSPH, which began in 2013 and is part of a $6.5 billion capital campaign for the university. Officials did not respond to a request for a history of million-dollar gifts during the capital campaign.

The campaign for HSPH had an original goal of $450 million by 2018, and raised $167 million during its quiet phase, which began in 2011. As of this past May, the university-wide campaign had raised $3.8 billion in total from about 100,000 donors. Harvard officials did not respond to requests for more recent numbers.

The Morningside Foundation endowed a professorship in radiobiology at the school in 2012. The school celebrated its centennial last year.

Chan received his doctorate in radiation biology from HSPH in 1979. "On behalf of my mother and my brothers, I want to express how pleased we are that the legacy of our late father can be honored by this gift to HSPH," Chan said. "He was a generous man who was a staunch supporter of education. He also wanted to support scientific research to alleviate human suffering. He would be very pleased with this gift today and all the good works that this gift will enable."

Chan described how his father, a Hong Kong real estate developer who died in 1986, visited him at Harvard during the 1970s when he was a graduate student and was "awed" by the university. Chan's mother, a registered nurse, instilled in him from a young age the value of public health by inoculating neighborhood children against cholera in the Chans' kitchen during the 1950s, and sterilizing tableware when the family went out to dinner.

"I offer these two vignettes to show that it was sanitation and hygiene, and vaccinations that gave rise to the largest increase in life expectancy in human history," said Chan. "Before modern medicine, public health was the chief source of human health improvement. Ironically, we've come full circle. I heartily echo President Faust's statement that this is the public health moment."

According to published reports, the Morningside Foundation donation is tied with gifts to Johns Hopkins University, Massachusetts Institute of Technology and Cornell University for the 10th largest gift in higher education since 1967. The top spot is shared by the Gates Millennium Scholar Program and Vedanta University in India, both valued at $1 billion.

An analysis of $1 million-plus gifts conducted in 2011 by the Center on Philanthropy at Indiana University (now the Indiana University Lilly Family School of Philanthropy) uncovered more than 61,000 gifts valued at $1 million or more between 2000 and 2010. Higher education received about two-thirds of the gifts, and about one-quarter of the total dollars.

Another report from the Lilly Family School showed that 1,449 higher education institutions received a gift valued $1 million or more between 2000 and 2012. Donors made more than 10,000 of these gifts for a total of approximately $90 billion. Older universities and those with large endowments tended to attract more large gifts, according to the report. Harvard, founded in 1636, is both the oldest higher education institution in the U.S. and the wealthiest: its endowment was valued at $32.7 billion in 2013, followed by Yale's $20.7 billion. *NPT*

Continued from page 1

of conducting its merge-purge activities.

Consalvo presented her cautionary merge-purge tale during a session at the recent 2014 New York Nonprofit Conference of the Direct Marketing Association's Nonprofit Federation.

In addition to the missteps listed above, when the organization combined outside lists in preparation for a mailing, it wasn't proportionally allocating duplicated names among those outside files. As a result, the viability of small external files was skewed. Some of the files should have been considered superfluous due to extremely high levels of duplication but were considered viable lists. Save the Children was essentially paying for names on files that it could get through its larger file rentals, exchanges, or co-ops.

Save the Children had also been overlooking an in-house source of names -- those on its suppression file. Note: These are different than those on its do-not-promote file. In the case of the suppression file, the names were those the organization had voluntarily chosen not to solicit.

Save the Children's suppression file amounted to more than 2.7 million names. Its service bureau at the time was happy to run it against the outside lists, but when Save the Children switched bureaus, the new vendor balked at its size.

This prompted Save the Children fundraisers recently to examine the names on the list. Many of them were 30 years old. "We're talking probably dead," said Consalvo, who was aware of the demographics of mail-generated donors.

Consalvo ran the names on the suppression file against "a very large co-op," a multi-source external file of active consumers. The analysis revealed that the most recent activity from 1.5 million names on the file was more than 20 months old. Additionally, nearly 900,000 names didn't appear at all on the "very large co-op," meaning that they most likely hadn't generated any activity within the past two years, if not longer.

Even more distressing, nearly 300,000 names Save the Children was suppressing were active donors and catalog buyers with other mailers.

Save the Children plans to test an outreach campaign to 17,000 of the most active names in an upcoming mailing. Consalvo believes that if the test is successful, modeling the active names on the suppression file could yield more than 200,000 viable prospects – if names on an in-house list can be called prospects.

She's also mulling changing the priority order in which mailing lists are deduped. Traditionally, response lists were at the top of the priority, with co-ops and house files following these. This meant that a name appearing in both a response list and a co-op would be attributed to the response list.

In part as a result of this reprioritization, the organization anticipates cutting back on its use of smaller response lists. Co-op files had previously made up between 30 and 40 percent of its mailing quantities. Consalvo expects that level to increase to between 50 and 75 percent per mailing. In addition to not renting as many lists, co-op names also tend to be less expensive than response list names.

That last point is significant: Save the Children's mail plans call for increasing its potential mailing universe by 1 million names during the next few years. *NPT*

Richard H. Levey is a New York City-based freelance business writer.

Colorado Law Might Threaten Donor Privacy

By Richard H. Levey

The Direct Marketing Association (DMA) is challenging a 2010 Colorado law that requires merchants from outside The Centennial State to disclose information about Colorado customers to the state's revenue department. While the DMA's actions do not specifically focus on purchases or donations made by individuals from nonprofits, the reporting requirement might have serious ramifications for those organizations that cater to controversial subjects.

The DMA filed a brief in the Supreme Court of the United States claiming its challenge -- *DMA v. Brohl* (Court Docket No. 13-1032) -- is rooted in First Amendment and privacy concerns, as opposed to tax concerns. As such, the DMA asserts, the challenge should be heard in a federal court. The Tenth Circuit Court of Appeals previously held that, under the Tax Injunction Act (TIA) of 1937, federal courts may not "enjoin, suspend or restrain the assessment, levy or collection" of state taxes.

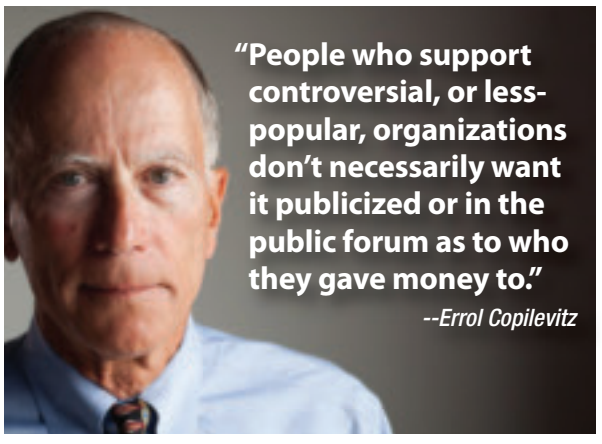
"The central issue is being able to access the neutral form of federal courts when challenging the constitutionality of state laws or regulations," said Christopher Oswald, the DMA's vice president of state affairs. "In our case, we are trying to determine whether the Tax Injunction Act precludes us challenging the Colorado regulation in federal courts."

The concern might be that when states "look to regulate nonprofits, if those regulations violate the U.S. Constitution, nonprofits may have the avenue to fight for their rights in federal court," Oswald explained.

"The Colorado Attorney General's office represents the Department of Revenue and has defended Colorado's law on the Department's behalf since this case was first filed in 2010," said Carolyn A. Tyler, communications director with the Colorado Department of Law. "We believe the Tenth Circuit's decision was correctly decided, and the Department of Revenue will file its response brief [to the DMA's brief] with the U.S. Supreme Court on Oct. 17."

The Colorado State Court granted a temporary injunction in 2013, which specified that the Colorado Department of Revenue could not force businesses to report customers' purchases for state tax assessment while the case is heard. Errol Copilevitz, senior partner at Copilevitz & Canter, a Kansas City, Mo., and Washington, D.C.-based law firm that specializes in legal issues faced by nonprofits, didn't comment directly on *DMA v. Brohl*. But he did raise several concerns regarding donors' privacy, as well as the need for organizations to maintain control of their donor lists – even if those donations come in the form of an item purchased from the nonprofit.

"People who support controversial, or less-popular, organizations don't necessarily want it publicized or in the public forum as to who they gave money to," said Copilevitz. "There are some court decisions, the primary one being *NAACP v. Button* (1963), which protected the names of donors." In *Button*, the NAACP challenged a Virginia statute banning "improper solicitation of any legal or professional business" as applied to the NAACP. It was held unconstitutional because litigation is a form of political expression.



"From the standpoint of the organizations, they don't want their donor file potentially in the public domain, because people could go to [the donors] a) to solicit money for them for competitive organizations – there is competition for charitable dollars – or b) to harass them for supporting an unpopular cause," Copilevitz continued.

The crux of the DMA's argument is that the Colorado regulation does not impose a tax, or tax-collection obligation, on non-Colorado retailers. As such, the organization seeks to "prevent the imposition of a discriminatory and burdensome regulatory obligations," according to a statement from the DMA.

In a statement, the DMA summed up the argument in its challenge in three areas:

- The TIA does not prohibit challenges brought by non-taxpayers who are not contesting state tax liability, either their own or anyone else's;
- The Tenth Circuit misconstrues the Colorado Act's notice and reporting requirements by referring to them as "collection methods," when out-of-state retailers affected by the requirements are not required to collect, report, or pay any state tax; and,
- State courts are capable of protecting federal rights, but access to federal courts by non-resident companies and individuals when federal constitutional rights are at issue is a significant factor in promoting confidence in the nation's judicial system.

A look at Colorado's Revised Statutes offers a potential argument for not turning over donor lists. According to Regulation 39-26-102.3, "'[d]oing business in this state' … requires that the person both (1) sell, lease, or deliver tangible personal property in this state, and (2) regularly or systematically make solicitations in this state."

Whether a charitable donation constitutes "tangible personal property" is hard to determine. According to Regulation 39-26-102.15, "'Tangible personal property' embraces all goods, wares, merchandise, products and commodities, and all tangible or corporeal things and substances which are dealt in, capable of being processed and exchanged, except newspapers excluded by the law…'Tangible personal property' does not include intangible personal property constituting mere rights of action and having no intrinsic value, such as contracts, deeds, mortgages, stocks, bonds, certificates of deposit or membership, or uncancelled United States postage or revenue stamps sold for postage or revenue purposes…."

In short, there seems to be room to argue that a straight-up donation, which does not involve a tangible good, could potentially represent an exclusion from the need to surrender names. If this is the case – and it is far from decided – the question would be even further muddied should there be a premium of some sort in exchange for the donation. *NPT*

Twitter 'Buy' Button Tested By Charities

By Mark Hrywna

Seven charities will help pilot a program on Twitter later this year that will test a "Buy" button on the site. The social media platform site announced the test in early September, starting with almost 30 brands, artists and nonprofit organizations. Among them will be recording artists Eminem, Brad Paisley and Pharrell as well as companies like The Home Depot and Burberry.

Nonprofits chosen for the test are DonorsChoose, GLAAD, Glide, Global Citizen, The Nature Conservancy, (RED) and 9/11 Day.

Some Tweets from test partners will feature a "Buy" button for a small percentage of U.S. users, letting people buy directly from the Tweet. In a blog post announcing the program, Twitter called it an "early step in our building functionality into Twitter to make shopping from mobile devices convenient and easy, hopefully even fun. Users will get access to offers and merchandise they can't get anywhere and can act on them right in the Twitter apps; sellers gain a new way to turn the direct relationship they build with their followers into sales."

Payment information is encrypted and stored after the first transaction so future purchases won't require a user to re-enter all of their information.

Some of the nonprofits chosen for the pilot already had a longstanding relationship with Twitter, which was part of the selection process, according to a person familiar with the program who declined to be identified. "They all use Twitter really well and have passionate followers so that also was part of the consideration," the person said. The timeline for the pilot remains to be determined. Twitter will not take an administrative or processing fee as generating revenue is secondary to testing the product and ensuring that it's easy for consumers and partners to use, the person said.

For now, nonprofits will sell items via the Buy button. DonorsChoose plans to offer exclusive "Back to School" t-shirts, according to Katie Bisbee, chief marketing officer at DonorsChoose. Glide will sell a baseball cap promoting its volunteer awareness program, "Fist Bump Friday," said Co-Executive Director Kristin Growney Yamamoto. "It's a new product. We're really looking for the awareness in volunteerism." Glide has a store where it sells some merchandise, she said, adding that it's an avenue to connect with people in a different way.

"It's an exciting way to partner with Twitter," Yamamoto said, calling it a "deepening of a relationship we've had for several years." Located in the same San Francisco neighborhood as Twitter's headquarters, Glide has been involved with the company since 2012 in training programs and ambassadorships while Twitter employees have volunteered for its meals program. The "Fist Bump Friday" campaign encourages people to volunteer and include their family and friends to sign up.

It's possible that the "Buy" button could evolve into a "Donate" button for charities, given that the language is easily customizable. Joe Waters, a Boston-based consultant and author who blogs at SelfishGiving.com, is skeptical that Twitter -- or any social media platform -- can generate much in charitable contributions. While the pilot program is interesting, Waters said the way he uses Twitter has changed, less a social media exchange or dialogue with others and more of a publishing platform to share content.

"I don't go on Twitter to talk to people. I follow my field, cause marketing or philanthropy," Waters said. "I don't know how most people use it [Twitter] – and most people won't – but I don't feel there will be enough of a connection there to hit that Donate button that will be meaningful," he said. But no social media platform has proven to directly raise funds, Waters said, though indirectly, only Facebook has shown that it can. "I don't know if there's enough of a connection to get people to" donate via social media, he said, but in recent months Facebook has shown the importance of making a personal ask. *NPT*

Pasic To Replace Tempel As Lilly School Dean

By Paul Clolery

Amir Pasic will be the new dean of the Indiana University Lilly Family School of Philanthropy in Indianapolis. It is expected he'll be the first holder of the endowed Eugene R. Tempel Deanship, named for the retiring founding dean, once fundraising for the endowment is completed.

Pasic's appointment is subject to approval by the IU Board of Trustees. He is expected to begin his new position on Jan. 20. Tempel will continue to lead the school until Pasic's arrival.

Pasic, 51, is vice president for international operations with the Council for Advancement and Support of Education (CASE), a global professional association serving educational institutions and their advancement professionals responsible for alumni relations, fundraising, communications, marketing and allied areas.

"Philanthropy is seen as a borderless profession," said Pasic. His immediate task is to huddle with the faculty and staff, he said. Fundraising will also be a key element of the role. "If we are to have the impact on the world expected from the school … we have to have the resources to do it," Pasic said.

"Amir has the wide range of experiences, skills and global connections that are just perfect for the next leader of the world's first school of philanthropy," said Chancellor and IU Executive Vice President Charles R. Bantz. "His extensive experience dovetails with the school's mission of improving philanthropy to benefit the world. And his expertise in strategic planning and development demonstrated by his achievements in his current role at CASE, along with his academic prowess in leadership roles at Johns Hopkins, are indicative of a strong commitment to and passion for the advancement of philanthropy. Amir's appointment ensures the Lilly Family School of Philanthropy's future is in good hands."


Amir Pasic

The school, with an endowment of more than $80 million, provides a comprehensive approach to philanthropy through its academic, research and international programs and through The Fund Raising School, Lake Institute on Faith & Giving and the Women's Philanthropy Institute. The dean's endowed chair was announced in September. More than $4 million of the $5 million endowment goal has been met.

Pasic has experience as a dean, in international philanthropy and in fundraising. As CASE vice president since December 2011, Pasic has been responsible for leading the growth of the organization's operations in Europe, Asia-Pacific, Latin American and Africa. Under his leadership, CASE's international annual revenue has experienced double-digit growth while its overseas memberships and conference attendance are at record levels, according to a statement from IU.

Prior to joining CASE, Pasic was associate dean for development and strategic planning for the Paul H. Nitze School of Advanced International Studies at Johns Hopkins University, where he also served as executive director of the Foreign Policy Institute. During his time as dean, the school exceeded its $120 million goal as part of the university's $3.7 billion Knowledge for the World Campaign. As executive director, he crafted seminars and simulations; oversaw the nomination and approval of fellows; hosted academic and policy leaders; and mentored student journal editors.

Before Johns Hopkins, he served as deputy vice president of advancement at George Washington University. He was also a foundation officer at the Rockefeller Brothers Fund and a faculty member at Brown University.

Pasic earned his doctorate in political science at the University of Pennsylvania. He holds a master's degree in international relations from Johns Hopkins University and a bachelor's degree in economics and political science from Yale University.

Born in Iran to parents from Croatia and Bosnia, he also speaks German, French and conversational Farsi.

"I am honored to be joining the community that has created the first school of philanthropy," said Pasic. "In my travels and conversations, I have seen how the school serves as a beacon for scholars, practitioners and philanthropists around the world. I also admire the university that has supported this new venture and look forward to working with the Lilly Family School's committed and growing community to advance the understanding and practice of philanthropy."

Tempel praised his successor. The two met for the first time this past fall during a conference in Singapore, Pasic said. "Amir's remarkable background and qualities have prepared him well to lead the Lilly Family School of Philanthropy," Tempel said. "With his diverse range of experience from the classroom to the development office to the national and international perspectives he has had at CASE, Amir brings both a breadth and depth of understanding and new ideas to build on the foundation that we have laid and to develop the next phase of the school. Like my colleagues, I look forward to assisting him in developing the school to its full potential."

Tempel is not leaving the university. While retiring from the administration, after time off he said he would rejoin the faculty. *NPT*

BUSINESS BRIEFS

UNITED WAY TO ACCEPT BITCOIN DIGITAL DONATIONS

United Way Worldwide (UWW) is joining the digital currency world, announcing that it would begin accepting bitcoin donations.

The Alexandria, Va.-based organization will use incoming bitcoin donations -- which will be processed into cash through the bitcoin processor Coinbase -- for its Innovation Fund, which aims to help change the social sector with projects focused on technology, relationships and efficiency to power the group's worldwide movement.

UWW joins organizations such as the Electronic Frontier Foundation (EFF) as one of the growing number of nonprofits that accept donations in bitcoins. The BitGive Foundation recently became the first organization that exclusively accepts bitcoins to get 501(c)(3) status with the Internal Revenue Service (IRS).

"Achieving United Way's vision for the world -- where all individuals and families achieve their human potential – requires innovation powered by new technology and outreach methods," said Brian A. Gallagher, president and CEO of UWW. "In that spirit, integrating bitcoin donations with the United Way Worldwide Innovation Fund helps us achieve this crucial goal. In addition, as the world's largest privately-funded nonprofit, United Way seeks to lead the way for others by taking bold steps to grow our organization, and we are delighted to do so again today."

Launched in 2009, bitcoins are a digital currency that has quickly gained popularity and controversy. Part of that controversy comes from the currency's perceived volatility, which stems from the 2013 crash of Mt. Gox, a bitcoin exchange based in Japan. During that period, 850,000 bitcoins valued at $450 million went missing and, as of presstime, 650,000 of those bitcoins were still missing with no explanation as to how they disappeared.

The incident hasn't stopped organizations such as UWW from accepting bitcoins, but it is one of the reasons they convert the currency into cash immediately. According to the firm, the Coinbase platform is used by more than1.6 million consumers, 36,000 merchants, and 6,000 developers worldwide. UWW will accept donations to the Innovation Fund directly from a donor's digital wallet via desktop or a smartphone without any transaction fees. The partnership with Coinbase comes a few weeks after the company announced it would waive all exchange fees for registered 501(c)(3) organizations.

PUERTO RICO TAX CHANGES BOOST DONOR GIVING

A change in tax code in Puerto Rico resulted in a net $5 million increase in donations and almost 20,000 more residents taking a charitable deduction on their tax forms in 2011 compared to 2010. Those are some results from an analysis of the tax change conducted by the Flamboyan Foundation, with offices in San Juan, Puerto Rico and Washington, D.C.

The commonwealth's treasury department ruled in 2011 that individuals could deduct 100 percent of charitable donations up to 50 percent of gross adjusted income. Puerto Rico's tax rules now look similar to the U.S.'s, where 100 percent of cash contributions to most nonprofits, up to 50 percent of gross adjusted income, are deductible. Puerto Rico previously had a 3 percent of gross adjusted income floor and 15 percent cap on deductions.

"Flamboyan Foundation conducted the analysis to understand the impact of the new tax code, which was effective in 2011 for the first time," said Executive Director Guiomar García Guerra, Ed.D. "We wanted to better understand how many taxpayers were taking the deduction for charitable giving and also how much is being donated. Flamboyan is interested in having baseline information on giving to be able to measure changes in the next few years."

According to Geoff Plague, vice president of public policy at the Washington, D.C.-based Independent Sector, "Taxpayers are aware of the tax implications of their charitable giving decisions, and they give more, and more often, than they otherwise might when there are strong tax incentives to do so. That is the reason charitable organizations work so hard to preserve tax provisions that encourage giving, and to educate policymakers about the consequences of limiting those tax incentives."

Puerto Rico saw big jumps in donations from some demographics between 2010 and 2011. Itemizers earning more than $150,000 increased their donation amounts collectively by 27 percent, or $6 million. Those earning between $25,000 and $50,000 increased their donation amounts by 7 percent, or $2.2 million.

Guiomar García Guerra

However, that total was offset by decreases from those earning less than $25,000 (9 percent), between $50,000 and $75,000 (1 percent), between $75,000 and $100,000 (2 percent), and between $100,000 and $150,000 (8 percent). The net increase in donations came to $5 million.

"It is very difficult to establish a trend with only two years of data," said García Guerra. "Moreover, we have been going through an economic recession for the last eight years and that certainly influences any economic statistic."

The increase in itemizers allowed for an analysis of donor demographics. About 7 percent of married taxpayers deducted donations, double that of single taxpayers. Single women gave at a rate of 4.3 percent, compared to 2.8 percent of single men.

More than one-third, or 36 percent, reside in the island's northeast metropolitan zone. Only about 2 percent of those taxpayers earning less $25,000 itemized for deductions, while 21 percent of those earning more than $150,000 did so. However, of the 47,000 itemizers, almost 30,000 earn less than $50,000 per year.

One-third of itemizers reported less than $250 in charitable deductions, and 50 percent claimed less than $1,000. The average donation was $2,760, and $3,500 for married couples filing jointly. In the U.S. in 2011, the average donation was $2,213.

DOSOMETHING EXPANDS IN 8 COUNTRIES

DoSomething.org has gone global. The New York City-based organization announced it has expanded into eight countries: Botswana, Canada, Congo, Ghana, Indonesia, Kenya, Nigeria and the U.K.

The organization is partnering with a nonprofit local to each country to run campaigns around conservation, girls' health and education, among other topics. There are plans for affiliates in China, Mexico, India and Brazil in 2015, according to April Wright, director of international programs.

The programs will belong to the partner organizations and will have DoSomething.org branding and run on its web platform, according to Wright. "We sign an official affiliate agreement and they buy into the brand," she said. "We work specifically with existing youth organizations because they have the infrastructure, the knowledge of what their young people care about and the mechanisms to reach out to them."

While the affiliates have been in place for some time -- 2012 in the U.K. and earlier this year for the African affiliates -- this announcement marks the first time headquarters and the overseas programs have all been on the same web platform, which DoSomething.org employees built from the ground up.

"We did it specifically with the expansion in mind," said Wright. "It allows (partner organizations) to customize their campaigns." Customization is important because U.S.-based nonprofits don't always understand the nuances of running campaigns overseas.

The affiliates also get access to DoSomething.org's expertise in such realms as media, marketing, business development and working with celebrities. Once a year staff from headquarters and the affiliates meet to share ideas.

Wright said the challenges to expanding have been few. "The beauty of the model is it addresses challenges from the get-go," she said. "Partnering with these amazing organizations really allows us to work closely to create campaigns that fit their young people, rather than having our staff members go in and have to learn about the infrastructure and the young people." *NPT*

GENERAL RAMBLINGS PAUL CLOLERY

A Digitized Future

Philanthropy must be ready for the new economy

Brother, can you spare a Denarius? Nope. That Roman Empire currency is long gone. Who knows *Istanbul, Not Constantinople*, the 1953 swing song made popular by The Four Lads, updated in 1990 by They Might Be Giants? Quick, what was New York City before it was New York City? That answer is below.

Who thought that the euro would become a serious currency when it was introduced in 1999? Many European nations didn't want it and Euro Disney was such a huge flop the name was changed to Disneyland Paris. If Disney couldn't unify Europe and the world, who or what could?

The answer to that question just might be Apple and digital currencies.

United Way Worldwide's announcement that it will accept Bitcoin donations is a huge boost to the legitimacy of digital currencies for philanthropic purposes. Apple and its new digital wallet, unveiled with the iPhone 6, further erodes the fiction of sovereignty. More than 500 million iPhones have been sold as of March 2014 and they will all be able to make instant donations, as well as pay for groceries and concert tickets.

Some will argue that digital currency is unregulated and has wild fluctuations. It can also vanish into thin air. In 2013, the bitcoin exchange Mt. Gox, based in Japan, lost 850,000 bitcoins valued at $450 million, of which 650,000 are still missing.

Go look at the paperwork of your 401(k) for 2007 and then the bottom line number for the fall of 2008. Half of that currency disappeared in a semi-regulated industry.

Digital wallets, new currencies and the ability to financially cross borders might be ushering in a true end to the aristocracy of purpose and be clearing the way for all to be involved with being their neighbor's keeper. Of course, that might also escort out the fiction of sovereignty, which will be a much harder sell than using a digital wallet at Dunkin' Donuts or Krispy Kreme.

Right now digital currency donations are immediately being converted to U.S. dollars. What happens when a restricted gift is offered by a donor in a digital currency? How can a nonprofit provide a tax statement for the donor when that value is not known until it is converted? If a donation is made and for some reason it must be returned, is the charity on the hook for the value swing during the float or the value when it is received? How many platforms will be needed for all exchanges of various currencies?

Internal Revenue Service rules for gift valuation come into play since the IRS considers virtual currency to be property. According to the IRS, the character of gain or loss from the sale or exchange of virtual currency depends on whether the virtual currency is a capital asset in the hands of the taxpayer.

The IRS also holds that a payment made using virtual currency is subject to information reporting to the same extent as any other payment made in property. See IRS Notice 2014-21 for details.

The IRS opinion is that, in general, "the sale or exchange of convertible virtual currency, or the use of convertible virtual currency to pay for goods or services in a real-world economy transaction, has tax consequences that may result in a tax liability."

The shorter answer is that it might be an accounting nightmare for both the charity and the donor. The sector has long acknowledged the need for comprehensive gift acceptance policies. Now just might be the time to give them an overhaul.

The answer to the question earlier is New York City was New Amsterdam. Currencies change. Borders bend. Nobody seriously wants to give New Orleans back to the French. The future is always a source of wonder and confusion once it arrives.

If philanthropy is going to be ready for the next economic step to save its own value, forward thinkers are going to have work through the new world economy that just texted that it is on the way. *NPT*

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THOMAS A. MCLAUGHLIN

Back Room Collaboration

Mixing and matching can save organizations thousands

Are you looking for savings that don't involve cutting jobs? Who isn't? Here is a summary of cost reductions that your nonprofit might be able to achieve if you're willing to do the legwork. Each of the cost reductions described below can usually be achieved with time and attention, assuming the economics of the participating nonprofit(s) are substantial enough.

Here's a bedrock point. The key principles of cost savings are scale and standardization. To save money, especially among smaller nonprofits, one needs to achieve the minimal levels of size (scale) and compatibility of operations (standardization). These principles were covered in "It All Adds Up" in the January 2011 issue of The NonProfit Times. The difference here is this column will concentrate on collaborative ways to save money for many organizations, not just one nonprofit at a time.

Foundation leaders are in the best position to catalyze a community-wide collaborative effort to save money. Your recipients will probably need support for this, but it's a great cause and a true community-building exercise. And what could be better than to get an amplified return on your donation when large numbers of nonprofits participate?

WHAT TO EXPECT

For the sake of simplicity and standardized approach, each source of cost savings will include the typical expenses that nonprofits report on page 10 of the federal Form 990. Each example will include the official IRS category name and the line on which the information can be found.

There's no need to do the actual collaborative research and calculations. Use this information as a list of potential costs savings, and look for ways to adapt these suggestions to your own situation.

OTHER EMPLOYEE BENEFITS (9)

This line usually contains the Cost Monster – health insurance. It is possible to derive some savings from a health insurance program, but typically this requires insuring large numbers of employees and having dedicated staff overseeing the program. With the future changes projected as a result of the Affordable Care Act, this line item bears watching.

Entrepreneurial nonprofit managers might have the opportunity to create innovative and cost-saving arrangements with this benefit.

PAYROLL TAXES (10)

FICA (Social Security) payments are fixed for all employees' first $117,000 in earnings. (Employees must pay 6.2 percent of their paychecks and an additional 1.45 percent toward Medicare, an amount that is not capped). Typically, the other "taxes" in this line are the unemployment tax and workers' compensation coverage.

These are where the most payroll tax savings are possible. The amounts a nonprofit employer pays toward these other two "taxes" are calculated on an employer-by-employer basis. The easiest way to collaborate on reducing these costs is to organize a number of other nonprofits to gain a package deal with a specialist in this area.

For example, there are unemployment tax experts around the country who can be engaged through an association of nonprofits or simply by approaching such a firm with enough partners to collectively represent a significant amount of insurance needs. It not only saves money for the nonprofit participants, it also helps unwind some of the inevitable tension that occurs between a nonprofit and the staff members it has laid off.

LEGAL COSTS (11B)

Like auditing fees, legal advice is a costly professional service. The difference is that every legal engagement with a client is likely to be different in size, scale, and duration whereas audit fees recur yearly and are roughly the same

Streetsmart Nonprofit Manager, page 14

The Benefits of Reinsuring Charitable Gift Annuities

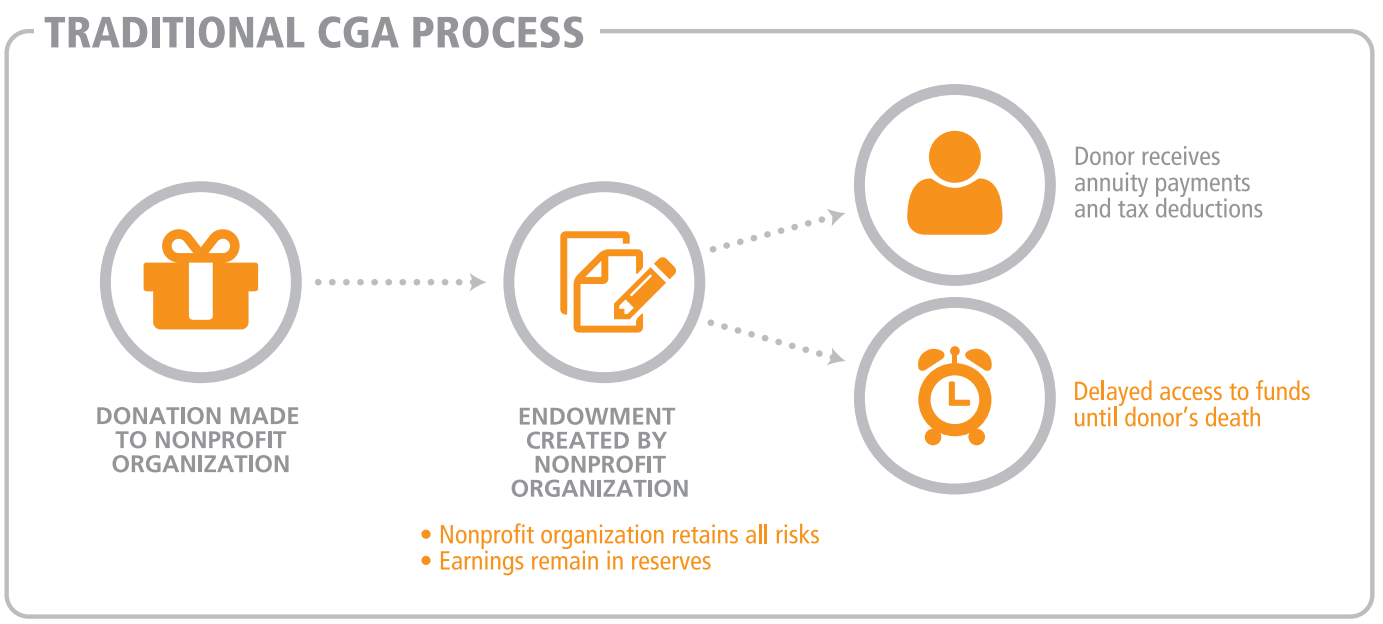
BY DAVID DEGEORGE, VICE PRESIDENT,
LIFE & INCOME FUNDING SOLUTIONS

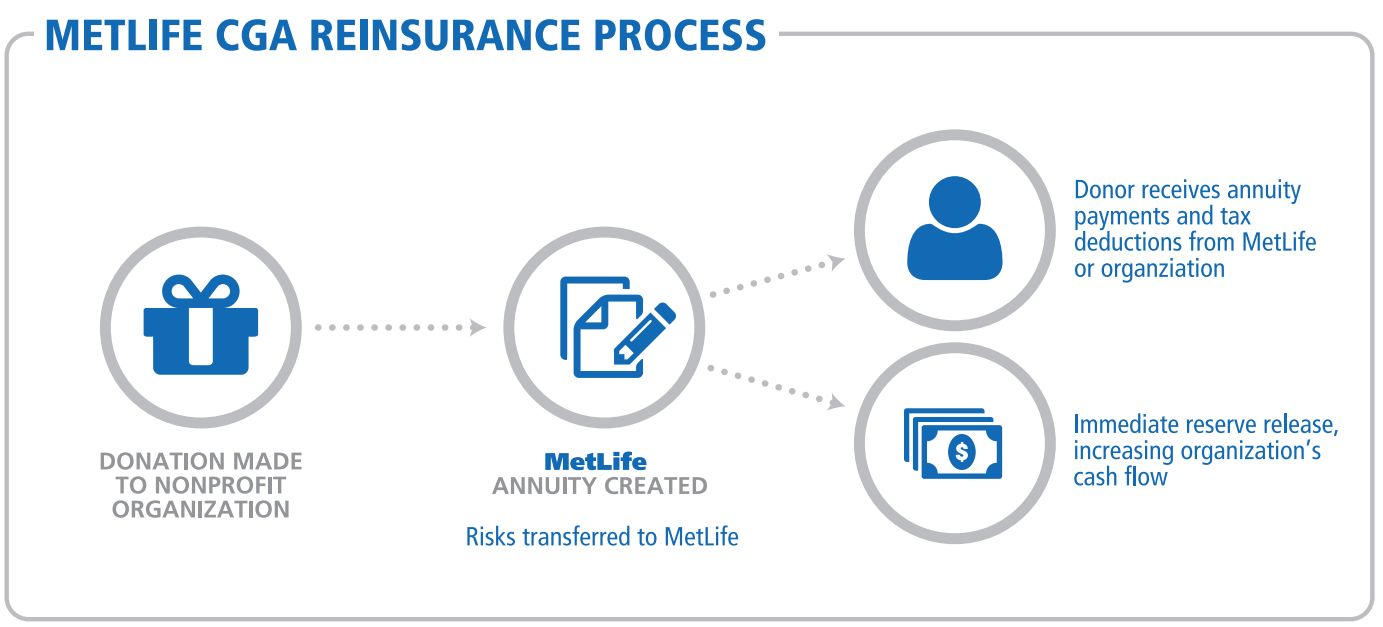
Charitable gift annuities (CGAs) are an important element of many charitable organizations' planned giving programs. With a CGA, a donor gives the charity a lump sum of money, securities, or real estate and, in return, the charity offers a way for the donor to receive a stream of income. It does so by promising to pay the donor a fixed monthly (or periodic) payment (i.e., an annuity) for the rest of the beneficiary's life. The charity keeps the remaining portion of the contribution – known as a residuum – when the contract ends and the donor (or their survivor in the case of a joint and survivor annuity) dies. In effect, the non-profit is offering the same guarantee as an insurance company would with a commercial annuity.

CGAs enable donors to support causes they care about, while gaining the security of lifetime income. A donor can typically begin to receive income right away, or at a predetermined date in the future, the latter of which can be attractive for younger donors. CGAs, which are tax-advantaged, are particularly well-suited for "philanthropic, often high-net-worth retirees to meet their need for lifetime income and their desire to donate money to charity in a single contract."[i] The American Council on Gift Annuities (ACGA), which provides standardized CGA payout rates, suggests a payout rate of 4.7% for a single 65-year old, although payout rates do vary from charity to charity. In comparison, a commercial annuity would likely offer a 7% rate. ACGA rates are calculated so that with average life expectancy, a significant portion of the original gift will be available to the non-profit at donor's death. The donor also is entitled to a tax deduction for a portion of their gift annuity purchase.

CGA reinsurance reduces investment, longevity and concentration risk.

-- David DeGeorge





Donor tax deduction is based on the difference between the gift amount and the value of the annuity.
Source: MetLife

CHARITABLE GIFT ANNUITIES: THE RISK OF SELF-INSURING

Historically, most philanthropic organizations have been willing to act like an insurance company by self-insuring the longevity, investment and other risks associated with their gift annuities – risks that are backed only by the assets of the charity. Self-insuring the risks associated with a CGA can have a significant negative impact on the financial viability of the charity if a significant market event was to occur and the charity was unable to meet donor obligations. This can be a very risky proposition for the charity since a CGA's guarantee is based on the claims-paying ability of the charity. In fact, according to a Retirement Income Journal article, "During the [2008-9] financial crisis, many small or shallow-pocketed charitable funds were said to be "underwater," and a few actually went bankrupt."[ii] With the unpredictability of volatile markets, self-insuring can result in mismatches with the charity's risk tolerance and unexpected contributions may be needed to shore up the charity's obligations.

In addition to the risks associated with self-insuring CGAs, charities need to be aware of the requirements that govern CGAs, which differ by state. Most states require that a separate annuity reserve fund be created by the CGA, but the specific requirements, including the amount required to be kept in reserve and the annual reporting requirements, vary. According to John Hook, Esq., an attorney with the law firm of Stradley Ronon Stevens & Young, LLP, "Some states provide minimal regulation and oversight (e.g., Pennsylvania, where the charity self-regulates) and other states provide a much higher level of regulations (e.g., New Jersey, which requires the charity to file an extensive application, obtain a permit to issue gift annuities and file annual reports)."[iii] These complexities can be a distraction to the mission of the non-profit.

WHAT IS CGA "REINSURANCE"?

How can charities minimize or transfer the risks associated with their CGAs? One way is to "reinsure" their CGA with a commercial insurance carrier. The term itself is actually a bit of a misnomer because reinsurance usually describes an arrangement where one insurance company cedes excess risk to another insurance company for a premium. In contrast, CGA reinsurance is "simply a financing technique whereby a charity chooses to purchase a commercial single premium immediate

THE EXAMPLE BELOW SHOWS HOW FUNDS ARE RELEASED AFTER THE PURCHASE OF CGA REINSURANCE.

FUNDS RELEASED BY REINSURANCE*

	Male			Female		
Age at Purchase	65	70	75	65	70	75
Age at Expected Death	86	87	88	88	89	90
Term of Annuity	21 years	17 years	13 years	23 years	19 years	15 years
Funds Released at Death	54%	57%	56%	49%	51%	51%
Present Value of Released Funds	27%	33%	37%	23%	28%	32%
Funds Released by Reinsurance	33%	36%	38%	30%	32%	33%

*Key Assumptions (a) Mortality: Annuity 2000 Basic Mortality Table with Projection Scale AA; (b) Annual Fund Return: 3.25%, net of expenses; and, (c) Reinsurance cost based on MetLife purchase rates in effect on October 1, 2013.

annuity as an asset to back its contractual life-income liability owed to the donor."[iv] This eliminates investment, longevity, mortality and concentration risks for the charity, and relieves the administrative burdens and costs associated with managing a CGA program.

An article in *Planned Giving Today* provides a practical example of how CGA reinsurance works: "Some charities, acting at their own discretion, use a portion of the amount contributed for a gift annuity to purchase a commercial annuity from a life insurance company that will make payments equal to the amount stipulated in the gift annuity agreement. For example, a woman age 70 contributes $100,000 for a gift annuity, and the charity agrees to pay her $5,100 per year for life. The charity then covers its obligation by purchasing from an insurance company at a cost of $73,368 a single-premium immediate annuity that will pay $5,100 per year. Assuming the reinsurance relieves the charity of reserve requirements, which will be true in most states, the charity can either spend the remaining $26,632 or invest the money in its endowment until the death of the annuitant."[v]

KEY BENEFITS OF CGA REINSURANCE INCLUDE:

Immediate use of CGA donations: When a non-profit organization reinsures a gift, funds are immediately released after the purchase of CGA reinsurance. They obtain the immediate use of the difference between the remaining value of the gift and the cost of the annuity, without having to worry about providing a payment stream to the donor. Faced with declining residuums, the ability to use donors' funds immediately rather than later may be attractive, particularly for those charities that have time-sensitive objectives.

In the ACGA's 2013 Gift Annuity Survey Report,[vi] the fifth edition of the survey, for annuities that terminated in the last five years, the average residuum – the net amount remaining for the charity after the donor's passing – was 65%. This is the lowest average residuum reported in the last fifteen years since the high of 98% in 1999. It is unclear from the survey findings but some possible reasons for the decline in average residuums among survey respondents may include:

- a decline in the average donor age (a younger donor means more years of income the charity has to pay to them);
- donors living longer than assumed (meaning more years of income to be paid out than assumed) or both; and,
- actual interest rates earned on the reserves the charity is supposed to establish are lower than assumed, meaning that more of the principal is used in making the annuity income payments.

Security and certainty: CGA reinsurance reduces investment, longevity and concentration risk, eliminating the need to draw on other revenues or unrestricted dollars in order to meet donor obligations. CGA reinsurance can be used to back reserve funds, and may also be considered an alternative fixed income asset. It helps ensure that the charity will not default on annuity payments by reducing or eliminating the possibility of depleting CGA reserves if (a) the donor lives past estimated life expectancy or (b) assets underperform.

Reassurance about the security of lifetime payments: If desired, the insurance company providing the CGA reinsurance can make annuity payments directly to the donor. Employing an insurance company funding mechanism can make donors more comfortable with the amount of their donation or increase the possibility of additional donations.

"Risk capacity" for accepting more CGA gifts: The transfer of risks may free up capital and enable the organization to issue additional CGAs.

Renewed focus on the charity's primary mission: According to the ACGA, gift annuity administration requires the "structure and resources to invest reserve funds, manage accounts, make annuitant payments and meet state and federal reporting requirements."[vii] The transfer of risk to the insurance company requires fewer of an organization's resources to maintain the program, which allows an organization to focus more time on its primary mission.

SELECTING A SUITABLE ANNUITY PROVIDER

When selecting an insurer to reinsure CGAs, there are several criteria that a charity should consider. First, it is important for a charity to select an insurer with CGA reinsurance as a core competency to ensure that the charity is working with a provider who truly understands the need to balance the charity's ability to promote its mission by freeing up its capital, and protecting the income stream that has been promised to valued donors in exchange for their generosity. It is also extremely important to select an insurance carrier with strong financial strength ratings to be certain the insurer is able to meet all of its payment obligations.

INTEREST IN CGA REINSURANCE PROJECTED TO GROW

The 303 charities responding to the ACGA's 2013 Gift Annuity Survey Report who reported issuing one or more gift annuities in 2013 were asked whether they purchased commercial annuities to "reinsure" the gift annuities they issue. Nine in ten charities (91%) reported they do not purchase commercial annuities at all, while 7% purchase some commercial annuities, and 2% reported that all gift annuities they issue involve the purchase of commercial annuities, compared to 6% and 1%, respectively, in the 2009 survey. This means that the percentage of charities reinsuring their annuities is up slightly since the wake of the 2008-2009 U.S. financial crisis, which, as noted above, saw several charities go bankrupt and be left unable not only to re-pay their donors, but also to promote their missions.

The increase in the percentage of charities reinsuring their CGAs indicates that awareness of the extensive benefits that CGA reinsurance can offer to charitable organizations is expanding. The percentage is likely to grow even further as more charitable organizations realize that working with an insurance company whose expertise lies in mortality and longevity risk management and asset-liability matching can mitigate the risks associated with managing CGAs, relieving some of the burdens that come with administering a CGA program and allowing the organization to focus on its core philanthropic purpose.

For more information, please visit www.metlife.com/cga.

[i] Pechter, Kerry, "The Weird Math of Charitable Gift Annuities," Retirement Income Journal, March 22, 2012.

[ii] Pechter, Kerry, "The Weird Math of Charitable Gift Annuities," Retirement Income Journal, March 22, 2012.

[iii] Hook, John, Stradley Ronon Stevens & Young, LLP, "Ten Things You Need to Know About Planned Charitable Giving," Metropolitan Corporate Counsel, October 21, 2013.

[iv] Clontz, Bryan K., "Charitable Gift Annuity Reinsurance: The Top Ten Frequently Asked Questions," Planned Giving Design Center website, March 29, 2006.

[v] Minton, Frank, Frank Minton Consulting LLC, "Unbundling Gift Annuities," Planned Giving Today, July 2013.

[vi] The ACGA's 2013 Gift Annuity Survey was conducted online among 378 charities with gift annuity programs in October and November 2013. The survey was sponsored by Bank of New York (BNY) Mellon. The survey has been conducted in five year intervals since 1994.

[vii] The Fundamentals of a Successful Charitable Gift Annuity Program, American Council on Gift Annuities," June, 29, 2011.

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Continued from page 11

size for an organization unless rapid growth is involved. The best model to use here is to select the legal firm in a bidding process -- except that there would be no bids.

Instead, the group of nonprofits would ask that the winning firm hold to a written schedule of hourly or project-oriented fees. This approach would likely work best only with a large group of nonprofits that wish to purchase the same kind of services on a regular basis over a period of years.

Keep in mind that law firms are generally structured in a hierarchical fashion, so that one would get the least attention from a law firm partner and the most attention from a newly minted attorney or even a paralegal.

ACCOUNTING COSTS (11C)

Pity the poor accountant. Accounting costs are high on the list of expenses that everyone would like to see reduced. Audits are required for nonprofit public charities over a certain amount, so they are an unavoidable yearly cost. Accounting is the perfect source of savings because of the audit's recurring nature, the fact that there is often a large pool of qualified auditors, and because most people secretly feel they don't get much from an audit anyway.

Reducing audit costs is a classic case of scale and standardization. Nonprofit audits are standardized in the sense that they must follow certain rules depending on the nature of the client. And the larger the client, the more leverage the client has with its firm because auditors would rather audit than search for new clients.

One way to harness the power of group buying is to join together with similar nonprofits in a defined geographic area whose managers agree to direct all of their auditing needs to the firm that the coalition selects. Federal law during the past decade began to require that certain nonprofits change auditors every five years. That rule can be satisfied when changing the partner on the audit without changing firms. Be clear about the scope of work each participating entity requires, and be sure to get a commitment from the firm to honor the cumulative scope and associated fees for several years at a time.

OFFICE EXPENSES (13)

Goodness knows what's in here. Office expenses can range widely so it will require some digging among your potential members of the co-op to decide if this is a potential source of savings. The possible problem here is that unless the potential group of nonprofits collectively spends hundreds of thousands of dollars – or more – on the same office-related product or service there might not be enough scale in this line item. The positive part is that a pattern of substantially similar spending among a group of organizations might translate into cost savings.

IT (14)

IT collaboration can take many forms, and for many reasons it can offer a rapidly evolving set of opportunities. Years ago, computer and hardware purchasing were among the more popular forms of IT collaboration. Today, collaboration around help desks is well-known, and so is job-sharing with established IT professionals.

The most effective collaborations often occur around services and support, which is often more troublesome than purchasing the right hardware. One company -- a Benefit Corporation, incidentally -- puts in the center of its business model a large and ongoing collaboration with all of its nonprofit clients. This is both a form of collaboration and an old-fashioned model with a new twist.

OCCUPANCY (16)

Real estate is a fixed cost, meaning that one has to pay the monthly rent -- or loan repayment -- on a regular basis regardless of whether the fixed cost item is being fully utilized or not. The obvious incentive is to find the right fixed cost item and then make sure it is fully supported by one or more revenue streams.

This is truly one area where nonprofits bring strength in numbers, and this is one of the reasons why there are hundreds of nonprofit centers all over the country. In this model, dozens of small to medium-sized nonprofits sign leases to occupy an office or a suite (or more) in a building that houses a large number of other nonprofits.

The benefits here can be significant but not best measured by cost savings alone. From an economic perspective, a landlord has to incur the same substantial number of start-up and ongoing costs regardless of tax status.

A nonprofit entity might not have to pay sales or property taxes when acquiring a building. That might reduce borrowing costs by one or two percentage

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Friends of the late Dr. Abraham Naymark traveled this past July to Israel to attend the dedication of the Dr. Abraham I. & Ruth Naymark Department of Otolaryngology at Shaare Zedek Medical Center in Jerusalem.

Middle East Conflict Offers Challenges, Opportunities For Fundraisers

By Richard H. Levey

If one must find a diamond amid the muck of the conflict between Israel and Hamas, it's this: The summer fight, which started on July 8, flared up when religious tourism is at its seasonal low point. By most accounts, there has been little detrimental impact on fundraising around pilgrimages. In fact, in some cases it might have bolstered these efforts.

Granted, this is cold comfort for people who have lost loved ones. But amid the ugliness, it is encouraging to know people's generosity continues unabated.

The on-again-off-again military actions reignited when many organizations that sponsor Christian pilgrimages had already suspended their Israel-based activities for the summer. "In June, July, and August the price of airfares goes up," said Tiru Irani, president of Far Horizons, a group travel firm that includes pilgrimage tours among its offerings. "It is very hot. Most of my client base is 55-plus, when it comes to pilgrimages. For them, certain comfort considerations have to be taken when you prepare a program such as that. They can't be rushed around in the heat and the dust."

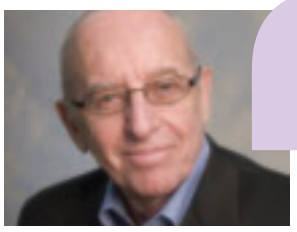
The conflict's impact on fundraising among Christian organizations can be minimized, as Christians have a number of options beyond Israel that are appropriate pilgrimage destinations. Italy, Spain, Ireland, and France all offer a variety of holy sites, according to Father Charles F. Shelby, vice chancellor at DePaul University and president of the Association of the Miraculous Medal from 1983 through 2005.

As it happens, the Association of the Miraculous Medal's fundraising model doesn't rely on markups when it offers prepackaged pilgrimage tours. "We don't make money off the trips themselves," Shelby said. "The margin is slim enough that we have to find another way to raise money." One opportunity involves "intentions." Congregants who can't make a trip can have their prayers taken to holy sites. "We offer to remember their intentions in our prayers as we go from holy place to holy place," said Shelby. "They are with the trip in spirit if they can't do it in person. People will send us $10, $15 and tell us to light a candle for them, or say a prayer for them."

Far Horizons, which coordinates pilgrimages for the Association of the Miraculous Medal and other organizations, has seen only a few cancellations for planned trips to Israel. For the most part, clients who have fall 2014 or 2015 trips scheduled are taking a wait-and-see approach.

Keeping the trips on schedule means organizers can continue to rely on them as fundraisers. Fundraising efforts often involve including among the pilgrimage hosts someone who specializes in wills, annuities, and other forms of giving, according to Irani. Failing that, "the priest or minister will talk about [donations] and plant a seed," he said.

While there is no source for how much nonprofits earn from pilgrimages, Israel welcomed 3.54 million visitors in 2013, according to the country's Ministry of Tourism. Some 22 percent of those said their visit was part of a pilgrimage, according to an Independent Media Review Analysis. As of early August, officials at Israel's Ministry of Tourism weren't too worried about the conflict's impact on pilgrimages -- or any other form of tourism. "Most [Christian pilgrimage travel] takes place in the fall, winter, and spring," said Geoffrey Weill, an Israel Ministry of Tourism spokesman. "There have obviously been some cancellations for fall and winter – I don't know how many -- but most people are taking a wait-and-see attitude."



Solidarity is becoming a big asset to fundraising.
--Stuart Paskow

Roman Catholic and secular visitors were most likely to cancel their trips, while Evangelical and Jewish travelers were less inclined to do so, Weill added.

"The Jewish audience is more committed to Israel, and has better understanding of the temporary nature of these things," Weill said. "[With] the Roman Catholic audience, the Holy Land is important, but Rome always comes first. So there is an alternative," said Weill.

"Secular [travelers]… are normal people who don't want to go anywhere where it may be unpleasant. As far as the Evangelical market is concerned, the Christian Evangelical movement is very much attached to Israel, emotionally and politically, and they often see Israel's problems as their problems."

If anything, the conflict made Jewish travelers consider summer travel to Israel an issue of camaraderie, according to Stuart Paskow, CEO of Mitch-Stuart Inc., a fundraising and travel organizer.

"Solidarity is becoming a big asset to fundraising, to getting people to go to Israel so [organizations] can fundraise while they're there," Paskow said. "It's not the first time this has been done. It has been done in every intifada [uprising]."

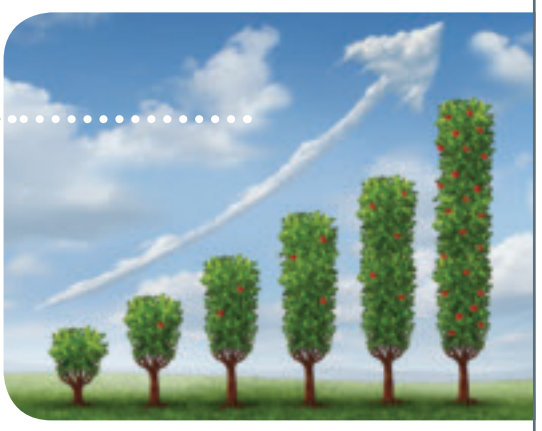
Mitch-Stuart has raised $1.5 million for Shaare Zedek Medical Center in Jerusalem via direct mail and travel fundraising since 2006. Largely due to the increased urgency generated by the Israel-Hamas conflict, Paskow anticipated raising its fall 2014 mail volume by 20 percent, or around 25,000 efforts.

Having potential donors go to Israel is a powerful way to fundraise – even if they do have to pay their own way, said Rachel Wolf, COO, for the American Committee for Shaare Zedek Medical Center in Jerusalem. It was that type of visit that led to $20 million in gifts from Charles and Seryl Kushner – an act that moved hospital management to name one of its campuses after the couple in August 2014.

"Our donor base and community is heading to Israel in a more serious way now," Wolf said in late July. "They feel that now is the time to support Israel."

The conflict has even spurred donations among people who didn't plan on visiting Israel. "Our online donations have seriously increased," Wolf said. "We have had individual cases of donors who had made pledges at certain levels call and say 'We have decided to increase our donation to the next level.'"

Does Israel want fundraisers to play the solidarity card to boost pilgrimages? Not according to Israel Ministry of Tourism spokesman Weill. "We don't normally encourage it," he said. "We are happy when someone wants to go and quote, 'show solidarity,' but there is a touch, in a sense, of desperation, and Israel is not in desperate straits. I just saw figures from Delta Air Lines [from late July] which had an 85 percent occupancy rate for every flight." *NPT*



Less Than Urgent

The illusion of priority can slow things down

By Herschell Gordon Lewis

Do you remember telegrams?

Way, way back in prehistoric times, before the World Wide Web democratized personalizations, a telegram was an implicit indicator of importance. So, naturally, a mailing that looked like a telegram would grab attention. The envelope had done its job. It would be up to the contents to do its job.

We're waist-deep in the second decade of the 21st century. The information glut has propelled today's storehouse of potential donors into the Age of Skepticism. Direct mail still lives and breathes as a competitive fundraising medium, and the fake overnight carrier is the current continuation of the illusory envelope.

Ancient clichés suffer because too many prospects recognize them as clichés. There is a two-window, faux-telegram envelope, from a nonprofit organization: bright yellow, with the memorable "stitch-marks" at the outer edges, a genuine postage stamp, and the not-too-bright legend "High Priority Gram™" on its face. (What the devil prompts people to trademark an unoriginal affectation, cancelling out sincerity?)

Positive Opinion: The mailing is well written. It avoids inclusion of a bunch of colorful and artistic enclosures. It heads straight for a timely emotion-driven response, in this case aid to women who need access to birth control as the result of a negative U.S. Supreme Court decision.

Negative Opinion: Setting the letter in a sans-serif font, studded with industrial-looking boldface segments, damages the personalization, as does lack of specificity about how the organization will use the money it collects.

AND THE BEAT GOES ON...

Another venerable and highly-respected nonprofit writes philosophically on its two-window envelope: "We've hit a dry spell." The mailing is as basic as a 2014 mailing can be -- a single enclosure, of which the top portion is message and the lower half response device ... and a reply envelope, which bravely says in its upper right corner, "Please Place Stamp Here."

Apparently sent to prior donors, the thrust of the brief message is that in a non-holiday period, donations "take a nosedive," but the "needs in our community" (that's as specific as it gets) continue.

Both these mailings indicate how direct mail has maintained its prime position in the fundraising universe. Immediate relevance makes costly production unnecessary.

A third well-known eleemosynary leader follows this same path -- a single enclosure, half "We need help" and half a detachable donor form. Specifics such as "We can give a child a warm, nutritious meal for just 31¢" carry personalized power.

Is that message damaged with "Tonight, millions of girls and boys around the world will go to bed hungry" phrasing? Maybe it does because emphasizing the enormous problem at the expense of "You" substitutes statement for motivator. Personalization thins in a massive

"millions" universe. And the brief letter, which begins, "I believe you're someone who..." might have pulled more response with the more specific (ergo riskier) "I know you're someone who...." especially since the mailing's targets apparently were prior donors.

"Important" still lives, but it's gasping.

What direct mail envelope has the best chance of getting opened in the skepticism-prone 2015-2016 season? A telegram simile? A businesslike effect? An envelope that looks like one sent by your Aunt Tillie? An invitation? Testing can answer most of the questions. (Missing from this answer is lifetime value.)

Skepticism tends to wipe out any residual value of that overused crutch-word "Important." Are you surprised that so many fundraising messages still use it? An ancient rule of psychology explains: It's easier to renounce the obvious than it is to renounce the traditional.

That might explain why we see "Important Information Enclosed" and "Important Account Notice" and of course the single word "Important" as chosen envelope copy. One of the mailers sets the word as a rubber stamp, and that's a helper. But is the self-stroking "Important" a legitimate competitor in the Age of Skepticism?

OUR WORLD ISN'T THAT DIFFERENT

Ask a direct marketer whose success stems from testing appeals and media: "What motivators seem to be working best in the middle of the 21st century?" Chances are strong that the answer will be, "Fear, exclusivity, greed, guilt, and need for approval."

In the nonprofit half-world, testing appeals isn't universal. And, total response is the poorer for lack of testing. But ask the same question of an analyst who represents a nonprofit that does test, and chances are strong that the answer will be "Fear, exclusivity, greed, guilt, and need for approval."

Does the universality of effective emotion-driven response generate cannibalism, in which the similarity of appeals from differing sources diminishes the totals for all of them? The question isn't valid, because as far back as Abraham, Isaac, and Jacob, the typical donor has a finite amount to contribute to all causes. What matters is the capability of arousing an emotional reaction strong enough to seize a fair share of that finite amount. That's where individual professionalism is a fair gauge for validating "Ours is different."

Which motivator was at work here? "Urgent Renewal Request." The intention is obvious -- the gigantic spread of a crisis. Is it possible for renewal of a membership to be urgent? That's what we're looking at. Fear? Guilt? It's hard to lock "Urgent" and "Renewal" into the same emotional compartment, isn't it?

No, it isn't, if your mind-set operates on a single frequency and you're a powerful enough persuader to swing outside attitudes into your orbit. That's why highly sophisticated special-interest nonprofits make a concerted effort to know who is a casual supporter and who is a rabid supporter. Each is worthy of customized appeals.

That's not what happened here. Out, to what seems to have been an untailored list, went the "Urgent Re-

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newal Request." The cause for urgency: the ongoing campaign by opponents to increase legislation against reproductive choice.

We know what they seem to have ignored -- urgency demands timeliness. A chronic problem offers other opportunities for participation. If a recipient thinks the appeal seems manufactured, it's because the wording was aimed at the wrong target.

If we can avoid becoming so wrapped up within the cocoon of our organization's purpose, goals, and means of recruitment, effectiveness has to go up. So as best we can, you should apply this litmus test to any messages you're considering sending:

If I were receiving this message, not sending it, would it motivate me to respond?

See how easy? See how rare? *NPT*

Herschell Gordon Lewis is a professional writer who lives in Pompano Beach, Fla., consulting with and writing direct response copy for clients worldwide. He is the author of "Hot Appeals or Burnt Offerings," an analysis of fundraising techniques. His most recent book is his 32nd -- "Internet Marketing Tips, Tricks, and Tactics." Among his other books are "On the Art of Writing Copy," (fourth edition), "Creative Rules for the 21st Century," and "How to Write Powerful Fund Raising Letters." His website is herschellgordonlewis.com

'Singles' And The Merry Marketing Merge/Purge

Most successful campaigns are a closed loop, explained Eric Johnson, senior vice president of business development at firm ALC, in Princeton, N.J. "Any successful campaign starts out with a prior performance analysis," he said. Next steps include mail planning, list negotiations and procurement. Here is where you'll want to hit the pause button for a marketing merge.

Johnson, along with his ALC colleague Tom Fleming, and Shannon McCracken of Special Olympics, presented a panel regarding marketing merge/purges during the Direct Marketing Association Nonprofit Federation 2014 New York Nonprofit Conference.

A marketing merge's "focus is on leveraging data to put together circulation plans," said Fleming, senior vice president of data acquisition. "As we look at merge/purge, we believe it's a valuable asset but underutilized. The merge output is buried treasure, and you need to find the gold."

Fleming's approach involves three output reports from a merge/purge: list interaction; housefile interaction; and, singles list. List interaction determines how many donors show up on different lists. Housefile interaction is how many donors from your own file show up on an outside list. Singles rate is how different one list is from another list -- how many names are unique to that list.

With high rates of list or housefile interaction, you'll want to "eliminate, rotate or negotiate," said Fleming. You might not want to use two lists with a high rate of repeat names, or you might want to stagger your mailings so the donors on the list don't get fatigue. You can also try to re-negotiate with your list broker or order the lists as a reuse if you think some of their lists are too similar.

When you see a list with a low singles rate, meaning it doesn't look like any other list you have, "There's usually a reason why, it doesn't perform that well," said Fleming. "Consider cutting it."

That's a determination that will be unique to each organization, list and campaign. McCracken, senior director of direct response marketing at Special Olympics, said she was trying a new list of businesspeople with only a 6 percent singles rate. "We'd mailed the list before and knew we would get a low response rate," she said. "But we also knew that the responders had a high average gift and a high long-term value. We made the strategic decision to keep the list."

What McCracken likes most about a marketing merge is that it's a quick process. "What's important is none of us in the production timeline have this cushion to insert an additional process," she said. "This is about this mailing, so it needs to be pretty turnkey. It's just a pause." – *Patrick Sullivan*

The Problem Of Too Many Prospects Or Donors

Too many fundraisers want more donors in the door and don't care about what happens after the first gift. "They enter the dreaded 'donor death spiral,'" said Rob Reger, senior vice president at the Irving, Texas office of data firm Epsilon. "That occurs with too many one-time or short-term donors who aren't loyal to the organization."

Reger, along with Sandra Miao of the National Wildlife Federation and Jim Emlet of Integral, presented a panel on long-term value during the recent Bridge to Integrated Marketing and Fundraising Conference in Oxon Hill, Md.

"The health of constituents erodes without long-term value," said Reger. "Organizations may not have attracted the right donors to begin with that have high long-term value, or maybe there are no marketing strategies that convince donors to stick around."

Miao said she was hired by the National Wildlife Federation in Reston, Va., to be the "acquisitions lady," and bring on as many donors as possible. She said that because NWF is a lobbying organization, it's important to have as many members as possible. "We forgot to think that we want a bunch of members who care about us and what we do, and will stay," she said.

The most important change NWF made in to engage donors more was breaking down fundraising silos, said Miao. "We have our major donors, mid-level and planned giving people over here. Over here, we have online, that talks to major donors but doesn't say the same thing as major gifts does. Then there's us (direct response), sending out millions of packages, and our message isn't the same as online, major gifts or planned giving," she said.

"They enter the dreaded 'donor death spiral.' *--Rob Reger*

The solution was to put all fundraising under one umbrella, reporting to one vice president. While the departments all have their own annual goals, "now we interact with each other and make sure our goals support each other and the overarching organizational goal," said Miao.

One of the results of NWF's focus on long-term value has been (and will continue to be) a short-term drop in membership. "The Federation is no longer going to be a million strong. That was a hard sell," said Miao. She said membership will dip to sub-600,000 before climbing again. "But it will be filled with more valuable donors," she added.

From an analytics point of view, Emlet, a principal at Washington, D.C., firm Integral, said to build a strategic map takes five stages:

- **Identify goals:** "This is the most challenging," said Emlet. "You can go to various people in the organization and get a different answer, but there needs to be a goal. If it needs to start more modestly, focused on a small part, that's OK."
- **Build a framework:** This involves deciding which analytics will be the best measures of success.
- **Outline investments:** Investments need to be multi-year at the board level.
- **Show results:** "When you do go to your boss and your board and ask for more money, they'll want to see results," he said.
- **Monitor and adjust:** If you don't reach your goals, understand why and rework accordingly, said Emlet.

– Patrick Sullivan

ON VOLUNTEERS

SUSAN J. ELLIS

The Real Cost

Sometimes you don't get what you pay for

Society holds contradictory attitudes about money and those perceptions affect how people see volunteering, too. Let's explore some of the most common notions, which you'll quickly see are quite contradictory.

Money Equals Significance; More Money Equals Better Quality: Have you ever sponsored or attended a training workshop that was offered at no cost but required pre-registration? Chances are that as many as 20 percent of the people did not show up (and only a few called to cancel). This is common when something is presented for free, even with advance registration.

Not only is this disappointing to the organizers, but it wastes uneaten refreshments and cheats people on a waiting list of the chance to attend. In debriefing the experience, someone always says, "few take an event seriously if they haven't paid even a token fee to reserve a spot."

Keeping with the theme of professional development, executives will pay for prestigious seminars at major universities, while those at lower levels of the pecking order struggle to afford community college events. The common wisdom of "you get what you pay for" equates the highest cost with the best product while denigrating less expensive and free items.

A variation on this theme is "if it's worth doing, it's worth paying for it," or the labor union position that any truly important work ought to be a paying job. What are the implications about how volunteers are perceived if value is assigned mainly when money is involved?

"Free" attracts. On the other hand, "free" is one of the most powerful words in the marketing lexicon. Advertisers use this four-letter word liberally as a way to get customer attention, prompt a response, and ultimately lead to sales. People love to get something for free. But do they value it?

Unpaid Workers Must Care More: Despite the world's love affair with making money, we also disdain mercenaries, "money-hungry" people, and those who "will do anything if the price is right." And we consider heroes and heroines to be those who do something important or risky for others, disregarding their own needs and costs. That's why everyone is eager to identify with the word "volunteer" during a natural disaster or other crisis. It labels the doer as acting selflessly.

Some recipients of service distrust paid workers as only being helpful because it's their job to be so. Second, the appearance of caring could be conveyed by doing something during unpaid time.

Paid Workers Are Legit: On the other side of the coin, introducing oneself as a volunteer can suddenly close doors. For years, volunteers at the Philadelphia Family Court were taught to use their position titles when seeking information on the phone. Whenever a newcomer forgot and said, "I'm a volunteer with the Family Court and I'm trying to find out xxx," invariably the person being contacted responded with something like "can you put that in writing for me?" When this happened, the volunteer was told to try again in a few hours, this time starting the call with, "Hello, I'm a Resource Finder with the Court and xxx." The second call obtained immediate results almost 100 percent of the time.

The reason for the reaction is the label "volunteer" conveys "no authority," while a position title implies authority. Think about it. When someone calls you and identifies themself with a title, have you ever thought to ask, "are you paid?" Once again, it's appearance over substance.

Pay Has Limits and Money Taints: Many extol the work of volunteers in their organizations with the praise, "You couldn't pay someone to do this." This represents a line of thought such as: This work is so sensitive, emotionally draining, or otherwise demanding that only someone who is motivated by caring would do it eagerly and someone else would demand extraordinary pay to do it otherwise.

> **Money does not guarantee competence or dedication and volunteers can be fantastic.**

This mission-over-money belief is also why many in the public believe that workers for nonprofits ought to accept low pay or at least not be highly concerned about wages. To seek no money at all is simply taking this reasoning to its logical conclusion.

Whether or not this reasoning makes sense, it is fraught with attitudes about both paid and unpaid workers, isn't it?

Additionally, the stockholders of a for-profit business want to know that members of the company's board will share personally in the rewards or losses caused by their decisions, while nonprofit board members are expected to have an "arm's length" relationship from an organization's funds and be objective "trustees." By deriving no personal monetary gain, nonprofit boards assure the public and donors that the organization's mission is being upheld and its

money properly spent.

Few recognize their contradictory beliefs about the power and consequences of money, and certainly do not see that such beliefs affect the way they think about or act toward volunteers. But these perceptions motivate behavior and decisions made in organizations every day.

For example, if an executive believes that paying for something gives it worth, that executive will undervalue volunteers and limit their roles. At the same time, in the same agency, if clients sense that paid staff are providing service mainly as a job requirement, volunteers will quickly be more trusted. Can this be reconciled?

It is not easy to challenge common wisdom, even if it is far from wise. However, you can observe and identify the many perspectives on unpaid work, whether these operate overtly or subliminally, and develop ways to counter negatives.

Whenever possible, do not draw attention to whether someone is paid or not. What matters is being authorized to provide service. In most situations, the word "volunteer" does not need to be put on a name badge as if it is a title. It's only a pay category, after all. If the person is a tour guide, soil tester, or event coordinator, that is the title that matters. This is not meant to hide the fact that the person is unpaid; it simply does not share this irrelevant fact. (Of course, if it really matters, ignore this suggestion!)

Choose words carefully. Try to limit describing volunteer efforts as "free." That's never true, since the organization incurs costs in recruiting and managing volunteers and the volunteers themselves have expenses in serving. Time donors are "cost-effective," but most often they do not "save money." They let you spend all the funds you have and then do more; volunteers stretch the budget.

A paid staff member can be just as motivated by genuine caring as a volunteer, while a volunteer can be just as highly skilled as an employee. Or, vice versa. Money does not guarantee competence or dedication and volunteers can be fantastic. Keep educating everyone to assess each individual team member on his or her qualifications, attitude, and caring, not on pay. *NPT*

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STREETSMART NONPROFIT MANAGER

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points. Carpeting and other items can be purchased without a sales tax. But the electric company and the people who'll put on a new roof and the asphalt company hired to pave the parking lot won't be giving any reductions in their costs.

The real benefit from nonprofit centers is the power of camaraderie and the easier sharing of resources and information. These will probably be of extreme value, but they won't show up on the Form 990 so they won't be included here.

INSURANCE (23)

Insurance for property and to protect against various workplace hazards (not including workers' compensation) is another area in which collaboration among nonprofits could help save money.

The insurance marketplace has doors through which customers can walk. The first door leads to an insurance agent, of which there are probably tens of thousands. The second door leads to the insurance companies, or the primary insurance marketplace. There are several thousand of these companies. A third door leads to the re-insurers, of which there are dozens.

Collaborating nonprofits have the best opportunity with the first door. Securing the services of a good insurance agency familiar with nonprofits is a good first step, and one that could lead to slight price reductions once the premium volume warrants it. The re-insurers tend to be large international companies with names familiar only to insurance specialists. A second and very promising opportunity lies in self-insurance. Different kinds of nonprofits all around the country have self-insurance programs, although to the outsider there is rarely any indication that a given nonprofit is self-insured.

The beauty of the above material is that any collaborative group of nonprofits anywhere in the country can put together a group of like-minded managers to ease the price pressures on back room costs.

Any -- or all -- of the above ideas can be carried out by a collaborative group of nonprofits if managers harness the principles of scale and standardization. Back room collaborations won't solve every economic problem, but it's a good start. There could be gold in that Back Room. *NPT*

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GENE TAKAGI

10 Legal Questions

Social media policy issues to address

The Internet remains the Wild Wild West of information. And even though it all seems available for the taking, you can run into legal headaches if you are not careful regarding grabbing and using the data.

It can also cost you if people pirate information from your site or if an employee does something on social media that makes you look bad.

Here are 10 issues that you need to be thinking about when it comes to your social media policies.

• *Copyright and trademark infringement.* Your organization could get sued for copyright infringement due to an article, photo, music, or video posted on one of your sites without the permission of the copyright holder. Tip: Understand the Fair Use Doctrine. Trap: Expecting attribution to offer protection against charges of infringement.

• *Fundraising and foreign state registration requirements.* Your organization might need to register in any state in which it is engaged in charitable solicitations (36 states and the District of Columbia require registration). Tip: Check out The Unified Registration Statement (http://www.multistatefiling.org). Trap: Disregarding registration laws and their application to funds raised through the Internet or social media (see the Charleston Principles).

• *Events and foreign state qualifications to do business.* Your organization might need to file with the secretary of state or other state business agency in each state in which it is doing business (see, for example, the California Secretary of State's explanation of the requirements under California law – http://www.sos.ca.gov/business/be/faqs.htm#form-question7). Tip: Think about whether you are responsible for an event organized through your social media channels and whether it triggers the need to qualify to do business in a foreign state. Trap: Organizing an event then claiming it's not your responsibility.

• *Volunteers (and agents of the nonprofit) or independent supporters.* Your organization could be responsible for the actions of its volunteers and agents, particularly if it didn't screen, train, or adequately supervise them. Tip: Recognize that the more you control individuals, the more likely they are your agents and the more likely you may be liable for any of their negligent actions. Trap: Directing individuals or committees to act in the nonprofit's name and not providing any rules or limits to their authority.

• *Supervision of agents of the nonprofit* (authorized communications, confidentiality and privacy issues, harassment/discrimination, defamation, bullying). Your organization should make sure that its employees, volunteers and others do not use the organization's social media sites to misrepresent what it does, divulge confidential or private information, violate laws designed to protect employees, or defame others. Tip: Provide written rules and guidelines to make clear what is and is not acceptable in an agent's use of social media. Trap: Relying on an agent's common sense to avoid violating any laws.

• *Advocacy and rules regarding lobbying and political activities* (for agents of the nonprofit and users of the nonprofit's social media and communication platforms). Your organization may be able to best advance its mission by dedicating resources to advocacy and, to the extent permissible, lobbying and political activities. Tip: If your organization is a public charity, check out the resources offered by the Alliance for Justice/Bolder Advocacy (http://www.afj.org/our-work/issues/bolder-advocacy) – you might be able to do much more in this area than you think. Trap: "Liking" political candidates or publishing unsolicited com-

Your organization should take steps to ensure that staff understands the legal commitments and potential exposures to liability when entering into any collaboration, whether formal or informal.

ments with political messages on a moderated site may jeopardize a charitable organization's 501(c)(3) status for violating the prohibition against electioneering.

• *Collaborations with other organizations and partnership/joint venture issues.* Your organization should take steps to ensure that staff understands the legal commitments and potential exposures to liability when entering into any collaboration, whether formal or informal. Tip: Make sure you recognize whether you want your obligations to your collaborative partner(s) to be enforceable. Trap: Unintentionally creating a legal partnership in which each partner may be completely liable for harm created by the other partner.

• *Ownership of social media accounts.* Your organization should understand whether or not it owns or has controlling rights over social media accounts it has instructed employees or volunteers to manage. Tip: Where appropriate, state in a writing acknowledged by your employees that your organization owns or has the controlling rights over specified social media accounts. Trap: Claiming ownership of a social media account in which the individual was given no rules or terms of use to freely publish anything of personal interest, which could result in the organization being deemed responsible for harm caused by something published.

• *Employee use of social media and protected activities.* Your organization's employees have rights to engage in certain activities that are protected under law. It takes more than common sense to know these rights as an employer. Tip: Understand that complaints about management and the board on social media sites may be protected from retaliation -- see The NLRB and Social Media Policies (http://www.nlrb.gov/news-outreach/fact-sheets/nlrb-and-social-media). Trap: Adopting overbroad policies that restrain employees from exercising their rights to engage in concerted activities for mutual aid or protection.

• *Violations of policies.* Your organization's policies should include rules (not just guidelines), and these rules should be fairly and reasonably enforced. Tip: Develop internal and external response strategies for violations of policies. Trap: Failing to emphasize the importance of your social media policies and train your staff and volunteers accordingly. ***NPT***

Gene Takagi is a nonprofit lawyer featured on Law.com, contributing publisher of the Nonprofit Law Blog and speaker, lecturer, and writer. His email is gene@neolawgroup.com

Donor Privacy

EU rules roadblock acquisition

By Patrick Sullivan

Proposed data protections in the European Union have charities on the other side of the pond panicking. The changes include making opt-in consent mandatory for telemarketing and direct mail (currently opt-out), banning the tracking of IP addresses and the deletion -- rather than the suppression -- of email users who have opted out. The proposed changes, if approved, would go into effect in 2017.

The changes were first proposed in 2012 as a way to give consumers more control of their data, according to Andy Taylor, a consultant with U.K. firm The Desired Effect. "A laudable goal, yes, but how it hopes to achieve this could make it less likely for donors to get a good and relevant experience from the charities they support, make it harder for us to tell them how their money is spent and drastically limit the number of people we can ask for support when we need it the most," wrote Taylor in a report titled "The European Union and Data Protection: The Biggest Challenge in Fundraising for a Generation?"

These issues, however, don't register as strongly with U.S. nonprofits, even those that mail to the E.U., according to Rachel Thomas, vice president of government affairs for the Direct Marketing Association (DMA). "When I talk to nonprofits about the issues of greatest concern, the top two are maintaining the charitable deduction and saving the postal service, keeping mailing rates low," she said. "When I start talking about data privacy, security, I get a lot of blank stares."

Taylor posits that requiring an opt-in for telemarketing and direct mail, as well as email or SMS (currently required to be opt-in or a soft opt-in) could result in a "loss of up to 50 percent in numbers" for third-party list rental services. While those that do opt-in will most likely be more responsive, "payback and a positive ROI comes from keeping new donors, and then having them give again. Even the most responsive and generous new donors might be off limits because they would have to give consent again to your charity, and they're probably less likely to do that under new laws, than they were not to opt-out," wrote Taylor.

Also on the table could be deletion of data if the recipient asks for it. A recipient could ask the charity to stop contacting them, but in the future suppression files might be illegal. "The result? We'll contact them again -- not great for our reputations to say the least, and certainly not great for the donor," according to Taylor.

While the proposals are not law, Taylor suggested using the time between now and 2017 wisely. "With so much depending on explicit consent, it's here that efforts should be focused," he wrote.

Chief among efforts should be "testing how to get consent in a way donors will understand and accept," wrote Taylor. "Partly it will be a matter of creativity, of finding the right words and the right

tone that will make donors say 'yes!'" Easier said than done, however; imagine trying to make the case in one sentence for allowing your organization to use their IP address, Taylor wrote.

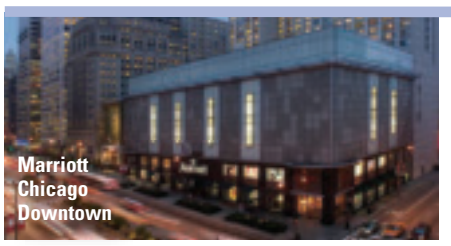
Another tactic is to prepare for a rush of email recipients asking to be deleted from your system. Make sure everyone in the organization knows how to do this. "A donor won't always ring a supporter care number," wrote Taylor.

Of concern to Thomas is the E.U.'s potential targeting of Safe Harbor programs. E.U. law prohibits the transfer of data of European citizens to countries deemed not to have adequate data protections, of which the U.S. is one. But safe harbor programs allow companies and nonprofits based in the U.S. to be rated as adequate individually.

"That program been around a long time, and is absolutely vital for fundraisers to grow donor base in Europe," said Thomas. "It is very much a concern that the Europeans are questioning that it's a viable program."

Taylor recommended that EU-based nonprofits and U.S.-based nonprofits that mail to the E.U. track the issue, but not make any changes to their operations unless and until the proposals become law. *NPT*

CALENDAR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OCTOBER

5-8 The National Catholic Development Conference (NCDC) will hold its annual conference at the Marriott Chicago Downtown in Chicago, Ill.
Info: www.ncdc.org

6 The National Association of Attorneys General and National Association of State Charity Officials conference will be held at the Regency Washington Capitol Hill, Washington, D.C.
Info: www.nasconet.org

6-8 Blackbaud will hold bbcon2014, its annual conference for nonprofits, at the Gaylord Opryland Resort and Convention Center in Nashville, Tenn.
Info: http://bbconference.com/

6-10 Competing for Federal Grants seminar will be held in Los Angeles, Calif., at The Grantsmanship Center.
Info: www.tgci.com

14-17 The International Fundraising Congress will hold its annual event at The NH Leeuwenhorst Hotel in Noordwijkerhout, The Netherlands.
Info: www.resource-alliance.org

15-18 Grant Professionals Association will hold its annual conference in Portland, Ore.
Info: http://grantprofessionals.org

16-17 Grant Management Essentials, a seminar of the Grantsmanship Center in Los Angeles, will be held in Charleston, W.V., at the Charleston Area Medical Center.
Info: www.tgci.com

20-22 The Council on Foundations will hold the annual Fall Conference For Community Foundations in Cleveland, Ohio.
Info: www.cof.org

20-24 The Grantsmanship Training Program, of the Grantsmanship Center in Los Angeles, will be held in New York, N.Y.
Info: www.tgci.com

22-25 The Association for Healthcare Philanthropy will hold its annual international conference in Palm Desert, Calif. Info: www.ahp.org

25-30 The Direct Marketing Association will hold its annual conference and exposition, DMA2014, at the San Diego Convention Center, San Diego, Calif.
Info: www.the-dma.org

27-31 The Grantsmanship Training Program, of the Grantsmanship Center in Los Angeles, will be held in San Antonio, Texas, at the Alamo Area Council of Governments.
Info: www.tgci.com

30 The TechNow 2014 conference, the Pittsburgh, Pa., region's 11th annual technology conference for nonprofits, will be held at the Learning Alliance, Cranberry Township, Pa.
Info: www.technowconference.org

NOVEMBER

16-18 Independent Sector will hold its annual conference at the Sheraton Seattle in Seattle, Wash.
Info: www.independentsector.org

To get your event added to the calendar, email it at least eight weeks before the event to: ednchief@nptimes.com

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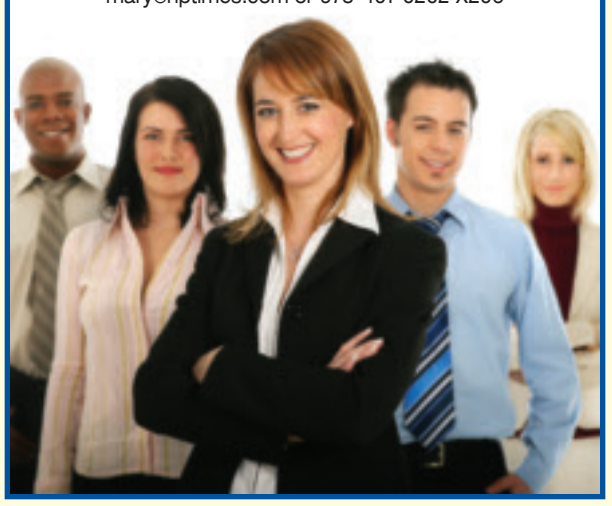

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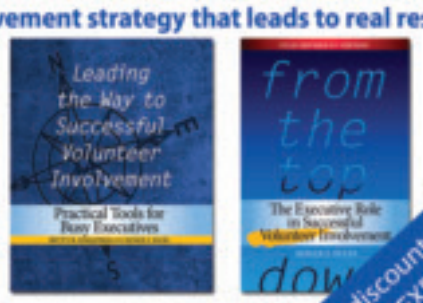

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League of American Orchestras

Manager
Institutional Giving
League of American Orchestras

The League of American Orchestras (americanorchestras.org) leads, supports, and champions America's orchestras and the vitality of the music they perform. Founded in 1942 and chartered by Congress in 1962, the League links a national network of thousands of instrumentalists, conductors, managers and administrators, board members, volunteers, and business partners. Its diverse membership of 800 orchestras across North America runs the gamut from world-renowned symphonies to community groups, from summer festivals to student and youth ensembles. The only national organization dedicated solely to the orchestral experience, the League is a nexus of knowledge and innovation, advocacy, and leadership advancement for managers, musicians, volunteers, and boards. Its conferences and events, award-winning Symphony magazine, website, and other publications inform music lovers around the world about orchestral activity and developments.

Position Summary:

The Manager of Institutional Giving reports to the Director of Institutional Giving and is responsible for securing unrestricted and restricted grants from corporate, foundation, and government sources to meet established annual goals. He/she will manage and maintain a diverse portfolio of grants, ranging from four-figure unrestricted foundation gifts to six-figure restricted government awards. The position will work closely with the Director to formulate annual institutional giving goals and strategize on approaches for new and renewing proposals.

Primary Responsibilities:

- Write and prepare proposals, reports, acknowledgments, and other correspondence for submission to corporate, foundation, and government funders
- Manage and maintain calendar of proposal and report deadlines and ensure timely submission to funders
- Work closely with program and finance staff to gather information needed for proposals and reports
- Identify and research prospective corporate and foundation donors
- Maintain corporate, foundation, and government donor and prospect records, in both database and paper files
- Assist in preparation of institutional giving briefs, agendas, and other materials for meetings with current and prospective corporate, foundation, and government donors
- Assist in cultivation and stewardship of current and prospective corporate, foundation, and government donors
- Work collaboratively with members of all departments
- Other duties and special projects as assigned

Qualifications

Bachelor's degree and two to three years of experience in development required; interest in the arts and knowledge of music preferred. Candidate must have strong writing and editing skills as well as the ability to handle multiple tasks under deadline pressure. Outstanding capacities for communication, personal presentation, organization, accuracy, follow-through, timeliness, consistency, and detail are essential. S/he must have ability to: demonstrate initiative within the responsibilities defined, work independently and as part of a team, and interact effectively with all levels of staff, volunteers, donors, and prospects. Other abilities pertinent to the position include strong computer skills (Word, Excel, relational databases), as well as a strong work ethic and service mentality.

Salary and Benefits

Salary will be competitive and commensurate with the candidate's experience and background. In addition to traditional holidays and vacation, the League provides employees with a strong benefits package including participatory group health, dental, and life insurance, and 403(b) retirement programs.

To Apply

Please submit a cover letter, salary requirements, resume, and writing samples to arisbud@americanorchestras.org with "Manager of Institutional Giving" in the subject line. No phone calls please.

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