

# OPINION

Commentary and Letters

## Keeping Quiet About Wrongdoing at Nonprofits Only Makes Matters Worse

By KEN BERGER  
AND JEREMY KOHOMBAN

New momentum has been growing to create activist organizations that defend nonprofits from public attacks and from regulations and laws they believe would harm their operations.

Witness the efforts of CForward, an organization that seeks to influence local and state politicians and went so far as to organize a PAC; and the Charity Defense Council, an effort to thwart unfair criticism.

Both groups are trying to give nonprofits more political muscle, and both are responding to the sensationalist news media, which more and more recognize that controversy sells and often present information about charities that lacks context, and in some egregious cases intentionally distort information.

The result has been that prominent journalists have depicted some well-functioning charities as incompetent or deceitful, and sometimes both.

To the extent that these efforts defend nonprofits that need defending and educate the public on the complexities and challenges facing the nonprofit world, we say bravo.

But we fear that too often, allegations of true mismanagement and scandal at nonprofits either get no response from charity and foundation leaders or, even worse, get a defense that cannot be justified.

Cases of mismanagement abound. Some researchers have estimated that tens of billions a year are lost as a result of unethical behavior, typically by leaders of nonprofits.

*Some think the best way to handle an ethical breach is to ignore it. Others think the public should focus only on the good nonprofits do. But those views damage nonprofits' credibility.*

For example, last month William Rapfogel pleaded guilty to stealing more than \$9-million from the Metropolitan Council on Jewish Poverty, an organization he led for more than 20 years. Mr. Rapfogel said he had been involved in a complex scheme with other top executives in which they systematically overpaid the council's insurance and then obtained kickbacks from the insurance company.

One can't pretend the news media sensationalize nonprofit corruption when it comes to such cases.

In our opinion, based on our 60 years of collective experience, a culture of constructive self-criticism has yet to embed itself in the ethos of most nonprofits, their staff leadership, and their boards of directors.

The reasons for these poor responses are varied.

Nonprofits, like other organizations, often follow a commonly held view about the best way to handle an attack: If you ignore it, the public will forget and move on. The media thrive on controversy, so don't discuss it and don't highlight it in any way and journalists will move on.

But many nonprofits also think that



because they are doing important work that serves society, the public should focus on the end result and little else. What's more, many nonprofit leaders believe it's unnecessary to speak out because bad deeds are so rare at charities. Just like in business or government, wrongdoers exist, but nonprofits don't see any reason why they should be held to a higher standard than any other institution when it comes to punishing bad players.

The result is a sense of denial and defensiveness throughout the nonprofit world that is damaging our credibility with the public.

We recognize the deep commitment of people who work at nonprofits and the great good they do for society. But we strongly disagree with those who believe "results are all that matters" when assessing how a charity operates.

Financial management, good governance, ethics, and high operating standards must continue to be vital measures of a nonprofit's worthiness.

If a charity mismanages its finances, today's results can be tomorrow's bankruptcy. If a charity has poor governance, an unethical and unaccountable

chief executive or board might embezzle funds that won't go toward producing results. And if we persist in saying results are all we care about, we will continue to see a never-ending series of scandals and mismanagement that will rock the nonprofit world and damage the public trust.

We need to look at both performance and accountability for financial, operational, and results to assess nonprofits.

Charities should also be held to a higher standard of ethics because of the way we are structured and how we raise money. We benefit from tax exemptions and the charitable deduction, and we are governed by volunteers. The public expects independent oversight of our organizations to ensure that tax-exempt money benefits society as a whole and not an institution or its leadership.

No nonprofit should tolerate serious ethical failures, and we must all be outspoken when somebody violates our trust. We therefore urge nonprofit leaders and boards of directors to step up and take the risk of confessing to abuses of funds and other serious misdeeds.

This is not easy for anyone to do.

We know that those who speak out could face ostracism from movers and shakers in the nonprofit world as well as from donors and powerful political leaders.

Personally, neither of us has always been so bold. We have failed to speak when we should have. We have both missed opportunities in our careers.

Just last year during a scandal in New York City, Jeremy raised the need for a public statement from a well-regarded nonprofit membership association.

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LORI BARTCZAK

## Top-Down, One-Issue Funding Is Not the Way to Support Social Movements

In 2009, a popular book claimed that "the revolution will not be funded" because top-down approaches to philanthropy run counter to what it takes to support lasting social change. Five years later, forward-looking grant makers are demonstrating that collaborative efforts that take a bottom-up approach offer the greatest potential for solving large-scale social challenges.

Grant makers can play a powerful role in supporting social movements, but doing so requires some important shifts in how foundations typically think and act. For example, tightly restricted grants and one-year awards run counter to the long-term, flexible, and patient support that social movements need.

What's more, foundations need to look far beyond the usual suspects to find activists and organizers who can persuade people to work together to fight for changes that may be unpopular among the social elite or powerful business and political leaders.

Recently, more than 200 foundation

and nonprofit leaders came together at a meeting held by Grantmakers for Effective Organizations to explore philanthropy's role in supporting movements. Following are some of the most often repeated recommendations from leaders of successful social movements and the grant makers who support them.

**Fund the front lines.** Social movements are, by definition, grass-roots led and work to empower people and communities that typically are left out of decision making.

"Foundations often say we want our funding to support disempowered communities, yet in the U.S. only 5 percent of total foundation giving goes to communities of color, only 7 percent goes to organizations serving women, and only 3 percent goes to grass-roots organizing," says Vanessa Daniel of the Groundswell Fund.

For decades, the Mary Reynolds Babcock Foundation in North Carolina has worked to move people and places in the Southeast out of poverty and create more opportunities for economic and

social justice. The foundation does this by supporting nonprofits and networks that have track records for helping low-income people build assets and transform economic conditions in their communities. The foundation gives priority to networks that include grass-roots

*Foundations need to rethink their tightly restricted one-year grants in favor of long-term, flexible support.*

organizations, paying special attention to their abilities to develop an organization's management leaders and work effectively.

**Erase boundaries.** Traditionally, foundations and nonprofits focus on specific issues. For example, one foundation may support programs to help the homeless, while another may focus on promoting gay rights, and yet an-

other may promote mental health. In reality, LGBT youths and mentally ill people make up sizable chunks of the homeless population in the U.S. How might nonprofits and foundations dealing with those issues work together for greater impact?

A recent report from the National Committee for Responsive Philanthropy encouraged grant makers to support multi-issue organizing and advocacy as a key way to make progress on social issues.

California Civic Participation Funders is an example of a diverse group of grant makers supporting a range of issues that in concert move a common agenda—increasing the civic involvement of African Americans, Asians, and Latinos in four rapidly growing counties. The collaborative is a network of nine grant makers that focus on causes as diverse as immigrant rights, community health, women's rights, and criminal justice. The groups work with a high degree of autonomy

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MARK ROSENMAN

## Supreme Court Ruling Heaps Power on the Wealthy and Burdens on Charities

LAST MONTH'S Supreme Court campaign-finance ruling to further relax limits on how much Americans can give to political candidates should concern nonprofits. They will need to step up their efforts, especially in community organizing, that now are needed more than ever as a strong counter to the growing influence of the rich over civic life.

The court's ruling has made it possible for the wealthy to contribute more than \$3-million apiece to political candidates in every election cycle. By giving the rich license to so dominate democracy, the court added to the pressure on charities and foundations that work mightily to help the needy and improve the quality of life of all Americans. It means that an American oligarchy has more power to assert its own private interests over the public interest and the common good.

While every American has an equal vote, we do not have an equal ability to influence the outcome of the elections that decide which politicians win and ultimately make the decisions about government policies, programs, and regulations. Nor do

charities have an ability equal to that of corporations to shape politicians' decisions once they are elected to office.

In the 2012 election, more than \$6-billion was gathered in campaign contributions. More than a quarter of that money came from the top 1 percent of the top 1 percent of all Americans; that means that elected officials have big reasons to feel beholden to the top one-tenthousandth of the U.S. population. The money from the super-rich was so important that not a single politician was elected to the U.S. Senate or House of Representatives without those campaign contributions. Although more than half of the members of Congress are themselves millionaires, they still depend on the wealthy to win and hold onto their positions.

For the wealthy, supporting political candidates makes good business sense.

Look at the industries that gave the most—finance, insurance, and real estate. Among donors who constitute the top one-hundredth of a percent of Americans, 20 percent came from those industries. And of the 1,000 donors who gave the

most, 34 percent were from those industries.

And they get a very good return on their investment. The share of GDP attributable to just a portion of financial, insurance, and real-estate businesses has almost doubled since 1980, the period in which elected officials deregulated the financial industry, as economist Paul Krugman points out. These companies and individuals sig-

*Now that campaign-finance laws are even more relaxed, the rich have greater influence over civic life.*

nificantly increased their campaign contributions and lobbying dollars over those decades, especially when some re-regulation was being considered.

Such self-interested behavior by the wealthy and the politicians they support creates very real problems for nonprofits and the people they serve. Too often the loyalties of elected officials at the federal, state, and local levels go to their campaign contributors more than to the American people.

Charities have been and are advocating for the preservation—and now restoration—of sensible safeguards against the financial-industry abuses that caused so much misery for so many Americans. They have argued for public policies to compel the financial industry to compensate those who lost much and are still suffering and for government programs to help people while they work to recover from the economic havoc of the recession.

Indeed, some charities have urged government to prosecute the individual and institutional architects of the crisis for their alleged criminal acts.

In most of these and similar efforts, charities have failed to move politicians to appropriate

and satisfactory action. Those working in the public interest will never have the resources to win the pay-to-play game that increasingly characterizes America's democratic process. They will always be outspent by those who work for the private interests of the superrich and the corporations that give them their wealth.

Current environmental battles offer another example. Business organizations and wealthy donors are spending millions of dollars to oppose government regulation of greenhouse gases from power plants. They have long been able to stave off any significant action to curb climate change, even as the seas rise and extraordinarily severe weather patterns begin to plague the nation.

To counter such industry efforts, nonprofit groups are organizing a collaborative that will employ the same tactics—also to spend millions in campaign contributions and lobbying in favor of controlling climate change. "We need more environmental money in politics," Gene Karpinski, president of the League of Conservation Voters, one of the organizers of the effort, told *The Washington Post*.

Laudable as that effort is, it doesn't make sense for nonprofits to try to win a corrupt and corrupting game, especially when the rules are so stacked in favor of the wealthy. The rules are written by those with power. As long as campaign finance is unrestricted and so opaque, those representing pecuniary private interests will always be able to outspend groups fighting for the common good. When money rules, when money is power, wealthy oligarchs will win.

In fact, according to a research paper by scholars at Northwestern and Princeton soon to be published in a journal of the American Political Science Association, the U.S. already is an oligarchy in which policy decisions reflect the pref-

erences of "economic elites and organized groups representing business interests." That has to change.

So the challenge for charities and foundations is to figure out how to counter the economically, socially, and environmentally destructive corrosion of the democratic process in the U.S. If the rules of the game can't easily be changed, how can ordinary people be helped to better understand and promote their shared interest in the common good? How can it be made more likely that people will elect politicians who truly represent them instead of acting in the interests of wealthy campaign contributors and fat-cat lobbyists?

The answer is in building broad democratic participation through organizing and educational activities at the local level.

It's important to remember that campaign dollars influence and animate voters at election time. In contrast, charities and foundations need to spend the money to build enduring grass-

*The challenge for charities is to counter the destructive corrosion of the democratic process.*

roots organizations, groups that use new techniques and media (as well as old proven methods) to engage and continually spur people to rally for policies that help everyone, not just the affluent.

The Supreme Court ruling should serve as a warning bell for grant makers and nonprofits that it's time to take the growing democratic—and economic—inequality in America more seriously and to plunge into action.

*Mark Rosenman is professor emeritus at Union Institute & University.*

## Fear of Retribution Can Keep Nonprofit Workers From Being Open About Missteps They Witness

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tion on whose board he and the alleged perpetrator served.

The refusal was almost instantaneous.

In this case, the excuse was that this "happens," and because of the powerful parties (allegedly including politicians) involved, it was best to say nothing. Rather than pushing for further discussion, and an open discussion, Jeremy simply backed off because he feared alienation.

A few years back, Ken was a firsthand witness to a CEO

who had been stealing large sums from a charity. Although the CEO was eventually caught and removed as a result of a reporting system Ken helped create, the length of time the theft went on should never have been tolerated.

Ken's fear (and that of others within the organization) of retribution for reporting the problem permitted the situation to go on far too long.

For some time now we both have been committed to being more forthright about our errors and missteps, as well as speak-

ing out when we see scandalous and unethical behavior. However, it will take this generation of nonprofit leaders, and likely the ones who follow us, to breed the type of culture that celebrates open discussion of these things.

The nonprofit world has already lost enough time and credibility. Now is the time to start doing better.

*Ken Berger is president of Charity Navigator and Jeremy Kohomban is chief executive of the Children's Village, in Dobbs Ferry, N.Y.*

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