



## **ACCOUNTABILITY: WHAT DONORS EXPECT—AND WHAT WE SHOULD DELIVER**

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**Accountability:** The responsibility to justify money spent, decisions made, and activities performed by an individual or an organization. (*Non-Profits Good Practice*)

Earlier in my career I went through a phase with my own philanthropy where instead of making a few annual donations to the standard recipients (alma mater, favorite previous non-profit employer, most listened to public radio station), I instead budgeted the dollars on a monthly basis and wrote more smaller checks to different organizations. I knew very little substantively about most of these nonprofits beyond their mission and mailing address (or Website), but I enjoyed scattering my charity across a wider spectrum of social issues that caught my attention.

As a professional in the field of fundraising I knew what to expect in response to my relatively modest gifts. I would receive a standard thank you letter that, for tax purposes, acknowledged the amount of my gift and included a sentence or two that described the program or services I helped make possible. The note from an animal shelter included a poor quality black and white photo of two cats (Abe and Arizona) “in their new home and happily adopted.” I probably wouldn’t qualify for a copy of the annual report if there was one, and I certainly didn’t expect a personal phone call or an invitation for a tour and lunch.

In the world of business, the concept of accountability is more easily understood. Our new car comes with a warranty (which we can extend for more money), the plumber fixes what is broken at an hourly rate and corporate executives are expected (and scrutinized) despite the clear and concise definition offered above, “accountability” in the nonprofit world is a broader concept that influences—or should influence—nearly all of our planning, implementation and management decisions and actions.

Because of my development background, I understood that the organizations that received my donations had practiced standard levels of accountability in direct relation to the dollar amount of my gift. Had I given more, their demonstrated accountability would have

probably increased.

Still, I sometimes felt as if my checks (and hard earned dollars) were disappearing into a sea without a ripple. Where exactly did my gift go? Was I really making a difference? Because the gift was so small was it the one office staff used to buy pizza on Friday as part of an “entertainment account”? I could have done more research before giving, but some of these organizations didn’t even have a Website.

Several factors—including the continued fallout from corporate accounting scandals, the trend of nonprofits venturing into revenue generating endeavors and the fact that some organizations seem to remain in a capital campaign/major gift drive mode—will ensure that accountability remains a primary concern of nonprofit management, development offices and the donors they serve.

In addition to basic compliance with IRS regulations and any applicable federal, state and local requirements, a first step in accountability for most nonprofits is to track the number of programs conducted or the number of individuals served as well as to capture various demographics that describe their constituency. They might also devise a system to regularly evaluate programs and services according to predetermined measures of quality. Once this data is accumulated and synthesized, they can then report these findings to their donors, constituents and the general public as an expression of effectiveness and, thus, accountability.

It’s certainly a step beyond a photo of Abe and Arizona napping in their new home. But...is that enough?

A recent study by *Independent Sector* shows varying rates of even this baseline practice among nonprofits.

Fifty-eight percent of nonprofits report on the quality of services they provide;  
Sixty-eight percent of nonprofits track client satisfaction with service; and  
Sixty-one percent of nonprofits use outside parties to evaluate their activities.

Nonprofit organizations that contract with public agencies are often more subject to outside evaluation than religious organizations. It’s also true that doing comprehensive evaluation means data collection, analysis and reporting, and that means time and money, two commodities in short supply at churches and smaller non-profits.

Yet in our work with Catholic churches, schools and diocesan offices, we find that, as in the rest of the nonprofit sector, to short cut accountability is to risk losing your donors and not inspiring new ones. Looked at another way, when you make a serious and sustained attempt at accountability it can lead to greater confidence among your donor base, yielding a better response to your solicitation and increased generosity in the future.

Prior to engaging in a capital campaign with a client, we always conduct a planning/feasibility study that includes individual interviews and focus group sessions with leading constituents of the organization. We find that when we ask the question, “What factors do you consider essential for a successful campaign at...?,” two of the most common answers, similar in nature and both relating to accountability, are:

1. Communication. Tell us specifically what the money is needed for and why it is important. Show us that this has been well thought out and tell us about any changes as you proceed. Show us, for example, architectural renderings of the new building, the brands of the computers or research supporting projected growth in enrollment.
2. Information. How will the money be managed and by whom? (e.g. will the school control the finances or the diocese?) What happens if we don't reach the goal? Where will the money go then? Will this drive meet all of our needs, or will we need to run a campaign again in two years?

Recognizing what is known as the “evaluation imperative,” that is, the inherent requirement that because they rely on the generosity of others to exist and that instead of exchanging a commodity, they fulfill a mission, many nonprofit organizations evaluate (and make public) their activities. This too is an area in which most can do more.

In addition to regular program evaluation, nonprofit organizations typically disclose their financial position through:

1. Regular financial statements.
2. Independent audits.
3. Annual financial reporting form (Form990) required for nonprofits with expenditures greater than \$25,000.

The regular financial statements can be published in an annual report that includes a statement from the executive director or board chair, a detailed accounting of revenue and expenses and a general program description. Some larger organizations choose to take this opportunity to produce a glossy piece with photographs of program participants and color charts of financial information. Even if an organization is unable to afford such a production or chooses not to, it could still communicate the same information within a regularly scheduled newsletter or as a simpler, factual document.

Besides regular program evaluation and financial disclosure, nonprofit organizations, including Catholic churches and schools, demonstrate accountability through the practice of their values and the often public witness that provides.

Again, from the study by *Independent Sector*:

- Seventy-three percent of religious congregations and 48 percent of nonprofits have a formal statement of moral and ethical beliefs; and
- Fifty-nine percent of nonprofits and 39 percent of religious congregations develop strategic plans.

For any Catholic high school, the varied and successful careers of its graduates and their roles as leaders in their communities and parishes speak directly (and clearly) to the accountability of that institution. I was recently impressed by the general information folder for a high school that included on the cover, in bold bullets, the number of students enrolled, the amount of scholarships awarded and a listing of numerous, active clubs. So too, a parish that can publicize the activities of many ministries addresses accountability in a most

productive way.

Accountability should be the concern of administration, staff and even volunteers at any nonprofit, but ultimately primary responsibility resides with the board, chief executive and development office.

Priorities for the board and chief executive in this regard would be to:

1. Provide full transparency for critical activities and decisions, especially budget preparation and execution.
2. Adopt and maintain strict conflict of interest policies.
3. Set measurable strategic goals that promote your mission and then measure your accomplishment against those goals on a regular basis.

I sometimes wonder what I would find if I dropped into visit one of the organizations that received my financial support. As a donor, such a visit would be appropriate, and my vigilance could benefit the nonprofit. Would the shelter where Abe and Arizona once lived be clean, and the staff kind to the animals? Will the clients at the workshop for adults with disabilities be sleeping in front of a TV or engaged in some meaningful work?

We were helping an organization conduct a search for a director of development, and after an exhaustive interviewing process I knew that the lead candidate had the right experience, skills and personality to be a success. But I knew it for certain when, shortly after taking the position, she encouraged staff to dress more businesslike, asked them to cut down on personal calls and made certain that each was well versed in current information about development and institutional operations. Unexpected visitors would arrive to meet an engaging staff and leave impressed that their donation was well managed. She understood that accountability is something we must demonstrate in every interaction.