



# The Nonprofit Ethicist

by Woods Bowman

Oral pledges are exactly what they sound like: pies in the sky—get written confirmation or strike them off the books. If transparency comes back to bite you in the proverbial behind, just stay still—things should settle in time. Don't envy your more-powerful neighbors—turn lemons into lemonade and connect with their resources. And, if voicing dissent puts you in the doghouse, choose your battles wisely and make sure to speak up as often in support.

**D**EAR NONPROFIT ETHICIST,  
*I am a development director, and my executive director recently told me to record in our database a large pledge from a board member. However, the ED had nothing in writing, and I could not reach the donor to confirm the pledge. As it happens, the pledge was crucial to meeting our financial goals—without it, we would have fallen short of reaching them. (Call it a coincidence, if you like.) Is the executive director's word alone sufficient to allow recording the pledge on our books? What happens if I do as he says and the donor does not come through? Will our books show a "bad debt" for the board member?*

Worried

Dear Worried,

You are in a tough spot. Your executive director obviously has a personal interest in the outcome. Generally accepted accounting principles (GAAP) require that you get a pledge in writing. Oral and third-party representations are

unacceptable. If you do as your executive director asks and your auditors cannot find written documentation from the donor, they may insist that you restate your net income before they sign off. (Cancelling the pledge before the audit is published will not cause a bad-debt entry, because the "pledge" was not valid in the first place.) A restatement showing that you fell short of your goals and contradicting the executive director should embarrass him. Maybe you could drop a hint in that direction, if there is still time before the audit.

Dear Nonprofit Ethicist,

*I was recently elected secretary of a nonprofit membership organization. Two years ago I applied for the position of executive director, as well as a staff position. I did not get hired for either. I hold no ill will toward the new ED nor the staff person who was hired. I have never said a negative thing about them, and have always acted with an earnest desire for transparency. Thus, in an attempt to be transparent prior to*

*an ED evaluation, I disclosed this information to the other board members and expressed my intent to abstain from the ED evaluation in order to avoid any perception of impropriety. However, the other board members are now using the disclosure almost as a weapon. What else could or should I do?*

*Lost in the Land of Transparency*

Dear Lost,

I'm not sure I can envision how other board members are "now using the disclosure almost as a weapon," but it sounds unpleasant. It seems as if they are overreacting—unless there is another issue lurking beneath the surface. All I can say is that, based on your description of events, you acted honorably. My advice is to keep your eyes and ears open for clues about related issues. If there are none, things should calm down eventually.

Dear Nonprofit Ethicist,

*We are located in a city dominated by a university that operates a fundraising*

*machine at a level of professionalism almost nobody else can afford. Needless to say, its donor base is international. To ice the cake, the university does not sanction campus activities that benefit nonprofits outside of the university. I am in an arts organization. Starving artists are not a myth! Our development budget is pretty much my (\$13/hour) salary, software, and our chamber of commerce membership. How can we “compete” with a beloved institution on these terms?*

*Poor Relation*

Dear Poor Relation,

Your question is practical rather than ethical (unless you plan to raise funds on campus under an assumed name), but I don't stand on formalities. My advice: don't covet your neighbor's donor list. In my experience, residents of college towns are not big contributors to their local institution. Instead, they are more likely to expect the college to pay them as “payments in lieu of taxes.” Furthermore, with few exceptions, donors to college sports are not donors to arts and cultural organizations.

Your university is actually an invaluable resource, especially if your college town is located far from cultural opportunities. Market your organization to the faculty. It's easy to get a campus directory—put volunteers to work on cross-referencing faculty names in the campus directory with your local telephone directory. Of course, get prospects to buy tickets before you ask for donations. I suggest focusing on faculty because they have money and flexible schedules, and in remote locations they are hungry for cultural opportunities. If your university is large, cross-referencing will take a lot of time, so until you get the faculty to buy in, ignore administrators and students. Administrators are too busy and students are—um—too distracted.

*Dear Nonprofit Ethicist,*

*Sometimes I go to a meeting where everyone who expresses an opinion is on the same page. The rest of us sit quietly, and one or two of us are treated like foxes in the chicken coop, because we do not buy into the assumptions on which the discussion is based, and may even believe those assumptions to be immoral or harmful to the community. However, we become pariahs if we protest too loudly or too long. We could be banned from future meetings, and then our organizations would lose our representation. Eventually, we sell our souls to the devil. What to do?*

*Voice in the Wilderness*

Dear Voice in the Wilderness,

As Kermit would say, “It's not easy being green.” Dissent is never welcomed and dissenters are often ostracized. Before I can give you advice on how to take over the group (a coup de group?) and redirect it, I need to know how it is organized, how it elects officers, and its rules for conduct of its business. With the information you provide, I can advise only three things: (1) Keep attending the meetings to keep abreast of developments that may affect your organization; (2) whenever you agree with the majority, speak up in support so they don't pigeonhole you as a troublemaker and stop inviting you to meetings; and (3) restrict your negative comments to the most egregious proposal in any one meeting. My last suggestion will not change minds, but it will keep you from selling your soul to the devil.

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