

## **FUNDRAISING ETHICS**

### **CASE STUDY #1- “NO, I REALLY, REALLY WANT YOU TO TAKE THIS GIFT!”**

A long time donor with no relatives dies and leaves a significant bequest to Charity X in her will. Before she dies, the donor tells her executor that she wants to make several gifts to her friends at her death, and that she also wants to make a gift to the Executive Director of Charity X, with whom she has become acquainted over the years. The executor explains that if she leaves the gift to the E.D. in her will, the E.D. will disclaim the gift. Since she wants to ensure that the gift gets to the Executive Director, she instructs the executor to write a cheque after her death.

The E.D. arrives at work one day to find a cheque for \$1,000 enclosed with a letter from the executor explaining the gift. After recovering from the shock of the situation, the E.D. calls the executor to return the cheque. The Executor expresses frustration with this situation and with the E.D. since this was the donor’s wish and refuses to take back the money.

- How does the E.D. respond to the situation in an ethical manner?
- If the executor refuses to take back the funds, what other options are available?
- Does the E.D. notify her Board of the dilemma?
- Can the E.D. make a charitable gift of the funds to Charity X and make everything right by that action?
- What would the public perception be if this situation should be disclosed?
- Does it make a difference if the gift is \$100, \$1,000 or \$100,000?
- What might Charity X have in place to help staff/volunteers who find themselves in difficult situations like this?

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### **CASE STUDY #2 “THE TOO-GENEROUS DONOR”**

Louise is a retired nurse who has made regular semi-annual contributions to ABC Foundation for several years. Now in her early-80s, she lives alone in a small home, which she has owned for 40 years. Her income consists of a modest pension and interest from \$75,000 worth of investments.

After receiving information from ABC Foundation about endowed gifts, Louise contacts the Foundation office and says that she would like to contribute \$50,000 to establish an endowment in her name to assist with the education of nurses who are new to community practice.

This gift would serve a need, and would also set an example and possibly stimulate others to provide such generous gifts. However, you are concerned about Louise donating so much of her savings.

Nevertheless, Louise insists that she understands what she is doing, that she can afford to make this gift and that she has discussed this with her sister who has also made a similar contribution to another organization.

- Would you acknowledge that Louise knows what she is doing and accept the gift according to her terms of how it would be used?
- If not, what would you do? You have already expressed concerns, which she has dismissed. Would you simply refuse the gift and explain that you cannot ethically accept it?
- What possible solutions would address Louise’s desire to make a significant gift without compromising her current source of income?

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### **CASE STUDY #3 “FINDER’S FEE”**

A financial planner calls XYZ Charity and tells the Manager of Fund Development that he has a client that is interested in contributing a \$500,000 charitable gift annuity for tax purposes, but that the client does not have any particular charity in mind.

The financial planner states that he will deliver the gift to XYZ if the Manager of Fund Development will sign an agreement to pay a 5% finder’s fee to the financial planner upon delivery of the gift.

Furthermore, he stipulates that another condition of the gift is that an insurance provider selected by the planner will have to serve as the provider of the annuity.

- Would you agree to this deal?
- Why or why not?
- What elements of this situation are possibly in violation of ethical fundraising principles?
- What would you suggest to the financial planner that might allow this gift to proceed?

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### **CASE STUDY #4 – GOLF TOURNAMENT**

A Lions Club contacts ABC Organization and advises that a golf tournament was held last weekend in Ottawa with proceeds advertised to participants as being donated to ABC. ABC has no prior knowledge of this event. The Lions representative also informs the ABC that the attendees were told that they would be entitled to a \$100 tax receipt from ABC.

The tournament entry fee was \$150. Upon further investigation, ABC learns that the green fees charged to the Lions Club were \$50 per golfer. It is also disclosed that a dinner costing \$25 was served after the tournament and that each recipient received door prizes worth approximately \$25. Furthermore, a hole-in-one contest was held with a chance to win a 2-year lease on a new car.

- ❑ How would you handle this situation, knowing that the Lions Club has already informed the golf tournament participants that they would be entitled to a \$100 tax receipt?
- ❑ Is there anything wrong with going ahead and issuing the tax receipts, knowing that proceeds donated by the Lions Club to ABC will exceed the total of the tax receipts issued?
- ❑ What elements of the tournament structure and benefits to the golfer cause concern with respect to issuing receipts?

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### **CASE STUDY #5 – “Promotional Materials and Use of Solicited Funds”**

Martha has just been employed by a VON Branch as the new Fundraising Coordinator. She is told by the Branch E.D. and Board Chair that her first job is to coordinate a campaign to solicit the support of local businesses and service organizations.

The Branch E.D. shows Martha into a storage room where several boxes of previously printed promotional materials are kept. The E.D. tells Martha that she is to use these materials when communicating with potential supporters and attending service club meetings, etc.

Martha reviews the materials and discovers that they are more than five years old. They utilize the old VON logo. The pictures are a bit dated as well. The materials describe the work of VON in the Branch’s catchment area – the number of clients served, number of nursing visits, number of volunteers, a list of programs and some stories about clients. This particular branch lost its visiting nursing contract three years ago, and has significantly reduced its size as a result.

Martha points out these inaccuracies to her boss, and the E.D. responds by telling her that this is a small town, that people already know VON doesn’t offer some of these services and is smaller, and not to worry about this. The branch has limited funds to produce new materials and, in the E.D.’s opinion, potential donors would appreciate the fact the VON is not being wasteful in throwing out perfectly good brochures. Besides, the charitable funds raised aren’t used for visiting nursing programs anyhow.

- What would you do in Martha’s situation knowing that she’s new on the job and new to town?
- What ethical concerns might there be with this situation?
- How much value do you think donors place on charities keeping costs to a bare minimum? How far can we as charities take this?

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### CASE STUDY #6 – A PARTICULARLY CHALLENGING MONDAY

Bill is a new development officer with a registered charitable organization. He arrives to the office on the Monday of his second week on the job, checks his email and regular mail and quickly realizes that this is going to be a particularly challenging Monday.

#### *First Correspondence – Special Event*

Bill's organization has been working with Smith Event Planning on the implementation of a dinner auction event. It's the first of what they hope will be a successful annual signature event for the organization. Bill has received an email from Jane Smith telling him that she has found a major sponsor for the dinner auction, Tom's Furniture, who has agreed to a Gold Level sponsorship of \$10,000. Jane goes on to tell him that she will be invoicing the charity for a 10% finder's fee (\$1,000). Bill remembers that there are sometimes ethical considerations when it comes to finders fees and isn't sure whether he should authorize the finder's fee or challenge this as being something that may compromise his position as an ethical fundraiser.

- Should Bill's organization pay the finder's fee for this sponsorship?
- Why or why not? What can Bill do to ensure that he isn't caught by surprise like this in the future when dealing with the event planner?

#### *Second Correspondence – Bequest*

While working for his previous organization, Bill developed a close relationship with a donor, Mrs. McCarthy. About a year ago, Mrs. McCarthy decided to make a \$100,000 planned gift to Bill's previous organization. Today, Bill opens his mail to find a letter from Mrs. McCarthy, which states that she has learned that Bill had learned of his new appointment, and that she intends to change her will, removing a \$100,000 bequest previously intended for Bill's former employer and substituting the charity where Bill now works.

- What should Bill do? This would certainly be a great way to start a new job, bringing a \$100,000 planned gift commitment to the organization after just one week in the role. But are there ethical concerns?
- What actions should Bill take or not take?

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### **CASE STUDY #7 – THE UNINVITED SOLICITATION**

Louise is a Manager of Planned Giving with XYZ Charity. Over the years, she has developed relationship with many of her legacy donors, and they often confide personal information to her. She visits with the organizations legacy donors on a regular basis.

On a visit with Tom and Sue, whom she has known for the past five years, Sue shares some disturbing information. She recently received a letter from QRS charitable organization, indicating that they would be coming to meet with her on a certain day at a certain time. As she has no links to the organization, Sue ignored the request for a meeting, and was surprised when the representative of the organization showed up as per the letter that she had received. She welcomed them into her home, although she had no intent of making a contribution.

While there, the Development Officer made a pitch for a major gift for their organization, and left Sue with the message that ‘if she did not make a donation, people would continue to suffer.’ Sue did not make the contribution, but the fact that people could be impacted as a result of her decision bothered her. She confided this story to Louise, and indicated her concern about the fact that she might be neglecting those in need had been bothering her since the meeting took place the week before and now she was considering the gift in light of this statement.

Louise reviewed the letter, and while she had heard of the organization she was not aware of the individual who made the visit.

- What should Louise do in this situation? With the donor? From a professional standpoint?
- Is the QRS Organization acting in an ethical manner in their fund raising practices?

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### **CASE STUDY #8 – NO LEAFS NO!**

Anthony had served as the Direct Mail Co-Ordinator for ShareLife for the past eight years. After he was promoted to another area of the organization last March, Suzanne was hired as the new Co-Ordinator in April of last year.

In September of the same year, Phil, who has been the Contact Person at 'Stuff Em' Direct Mail company, which had been the supplier engaged by ShareLife since Anthony had joined the organization, called Suzanne and offered her the use of a private box for her and ten of her friends to a pre-season game at the Air Canada Centre for the Toronto Maple Leafs. While Suzanne did not feel comfortable about this offer, she was told by Phil that Anthony had been given the same opportunity for the past eight years, and always took advantage of this chance to see the Leafs in action.

Suzanne had been reviewing quotes for the work done by Stuff Em, and found that their prices were considerably higher than those she has come to know due to her previous work in the industry. In reviewing the files in her desk, she noted that the last time the work was put out to tender was three years ago, and at the time Stuff Em was awarded the contract despite having the highest bid of three suppliers; Anthony was the sole decision maker in this process. Suzanne also recalled that Phil had maintained a relationship with Anthony despite his new position, and had often dropped by the office to meet with him before he came to see Suzanne.

- How should Suzanne respond to Phil's invitation to the opportunity that he presented?
- What should Suzanne do with the knowledge that she has obtained, that the organization had been using a supplier whose pricing is not competitive with the marketplace for the work required.
- Was Anthony right to accept such an opportunity from Stuff Em on an annual basis?
- What can an organization do to prevent situation like this from happening?