Ethics for Not-for-Profit Organizations

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2022 Version

Speaker Bio

Louis Mezzina is a Senior Advisor with the Not-for-Profit Services Practice at Prager Metis, a member of Prager Metis International Group. Lou brings over 40 years of experience serving a diverse array of nonprofit clients.

Lou has worked closely with well over 100 colleges, universities, and other not-for-profit organizations, including AARP, American Heart Association, American Society of Mechanical Engineers, the Archdiocese of New York, Duke University, Fordham University, Johns Hopkins University, Leukemia & Lymphoma Society, the March of Dimes, Metropolitan Opera, the New York Community Trust, United Nations International School, and Wildlife Conservation Society. Beyond accounting, auditing, and financial reporting, he has assisted organizations and the nonprofit sector with respect to operations, risk management, and governance.

Lou is a noted speaker and has presented at numerous large industry conferences, including the AICPA Not-for-Profit Industry Conference, NACUBO's Higher Education Accounting Forum, NJCPA Nonprofit Conference, and the GWSCPA Nonprofit Symposium. His many years of leadership and service have earned him the National Association of College and University Business Officers' inaugural Business Partners Service Award and the NJCPA Service Medallion.

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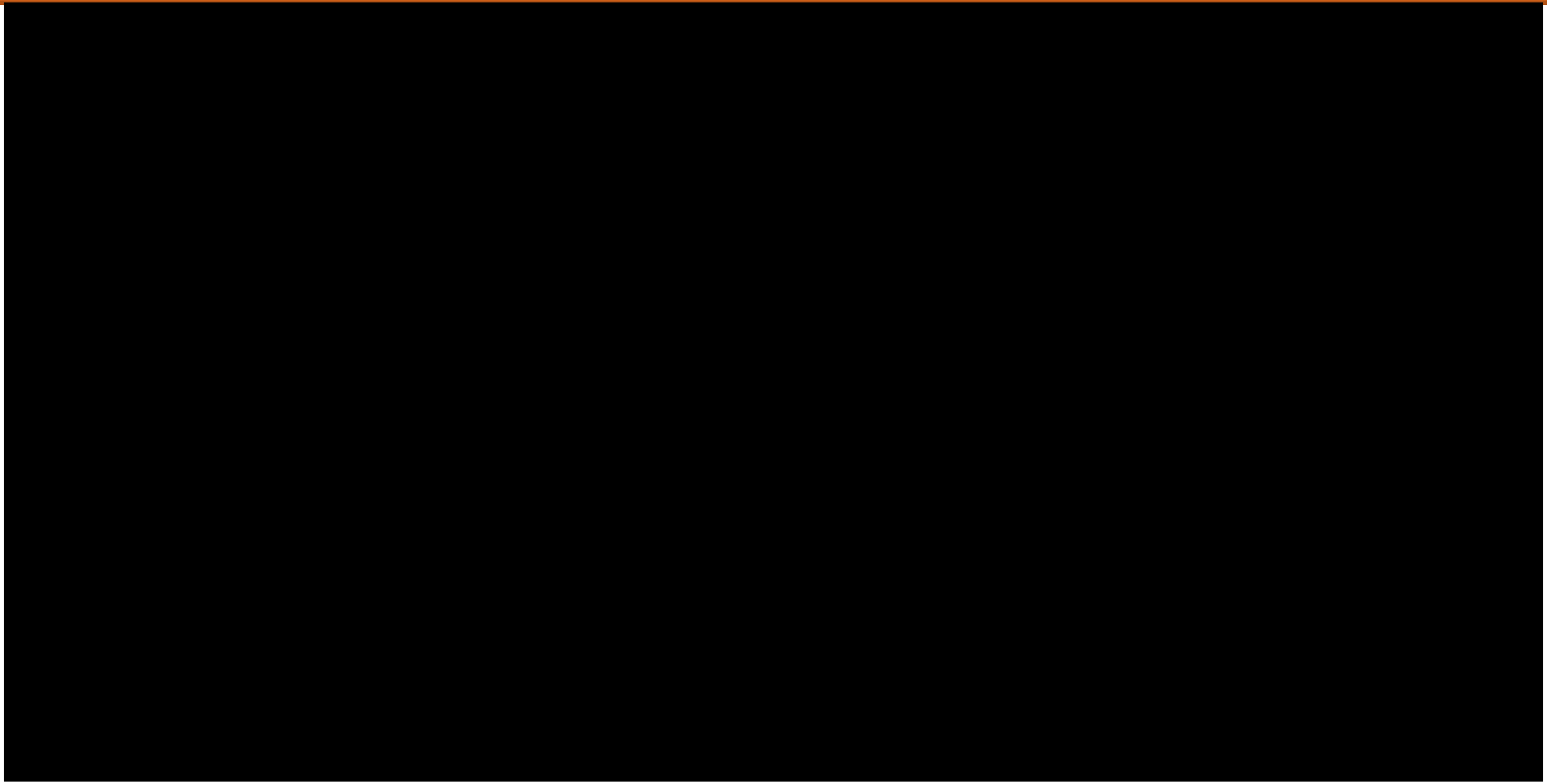
Virginia Board of Accountancy
2022 Video Segment



CharityWatch Hall of Shame: The Personalities Behind Charity Scandals
August 24, 2018

"**Father Bruce Ritter** founded **Covenant House** (CH) to create a safe shelter for homeless teenagers… [an investigation] concluded that evidence 'that Father Ritter engaged in sexual activities with certain residents and made sexual advances towards certain members of the Faith Community is extensive.'… The report also noted that CH had been structured so that Ritter had complete legal and operational control over its affairs, giving the board little authority or oversight powers."

"William Aramony,… president and CEO of **United Way of America,**… was convicted on 25 felony counts and sentenced to seven years in prison for fraudulently diverting $1.2 million of the charity's money to benefit himself and his friends.**"**

"John Bennett, Jr. founded the **Foundation for New Era Philanthropy…**which boldly promised to double the investments of nonprofits. In reality, New Era was nothing more than a Ponzi scheme that, at the time of its collapse, was considered the biggest financial scandal in the history of American charities. Victims lost $135 million to New Era over its five and a half years of operation… In 1998, Bennett was sentenced to twelve years in prison for his crimes."

"Lorraine Hale,… Clara Hale's daughter and [Hale House] co-founder… tarnished the legacy of her mother… Extravagant spending by Lorraine Hale and her husband, Jesse DeVore, who was employed as HH's public relations director, was widely reported in the media… In 2002, Hale and DeVore were criminally indicted… for stealing over $700,000 from their charity."

Moral Ambiguity – A lack of certainty about whether something is right or wrong

Merriam Webster

Example: The use of the atomic bomb on Hiroshima and Nagasaki

Quotes about Moral Ambiguity from Quote Master:

"I tell my students, if you ever become comfortable with your role as criminal defense lawyer it's time to quit. It should be a constant source of discomfort, because you're dealing with incredible moral ambiguity…"

Alan Dershowitz

"Understand the causes of terror? Yes, we should try but let there be no moral ambiguity about this: nothing could ever justify the events of September 11 and it is to turn justice on its head to pretend it could."

Tony Blair

Here's how you can identify and deal with ethical dilemmas amid the ambiguity in the business world… " 'This conversation never happened.' 'If we do not do it, someone else will.' 'It doesn't really hurt anyone.' 'I want to be a team player.' 'That's how it's always been done.' Do these sound like familiar scenarios in the workplace? If they do, these are warning signs of potential ethical situations and rationalisation of such behaviour… Studies have shown that a person's ethical behaviour is affected more by situational influences rather than his/her character. Situational influences include obedience to authority, conformity to others, following group decisions, and overconfidence in one's ability to act appropriately."

Source: yourstory.com, January 31, 2019

Strategies for resolving ethically ambiguous scenarios… "Our research ultimately demonstrated that the line separating legitimate and illegitimate behavior in science tends to be gray, rather than black and white—a concept we refer to as ethical ambiguity… consider a scenario in which a scientist receives funding for one project and then uses a portion of that money to support a graduate student on a study unrelated to the grant. Many scientists would view this practice as a black and white instance of unethical conduct. But some scientists we interviewed view this an ethically gray scenario, indicating that the use of funds for reasons other than specified in a grant is justifiable if it means supporting the careers of their students or keeping their lab afloat. In these and other circumstances, scientists cope with ambiguity through decisions that emphasize being good over the "right" way of doing things."

Source: Australasian Human Research Ethics Consultancy Services, June 20, 2017

Top 25 Business Ethics Interview Questions and Answers 2022… "some of the common questions you are likely to be asked in a business ethics interview… 9. What Are Ethical Dilemmas? Any situation that makes an individual question the right thing to do is an ethical dilemma. Ethical dilemmas make an individual think critically about their duties, responsibilities and obligations to the organization and general society. In most cases, the dilemmas that one faces are complex and almost impossible to solve. By complex, I mean that one is faced with a problem and is somewhat expected to choose between two rights… it is essential to note that when you find yourself in a situation where you have to choose between a right and a wrong, that is not a dilemma.

Source: Projectpractical.com

Trust is Critical to NFPs and CPAs

and is closely tied to

Ethical Behavior and Integrity

Americans' Trust in Charity Holds Steady Amid Pandemic, Poll Finds… "Over all, 18 percent of people surveyed in 2020 place high trust in charities, a figure that has held steady from 17 percent to 19 percent since 2017. At the same time, fewer people say trust in charities is highly important to their giving decisions, declining from 73 percent in 2017 to 63 percent in 2020."

Source: Chronicle of Philanthropy, November 15, 2021

Trust in Civil Society… "**Institutional trust is declining – and nonprofits and philanthropy are not immune to this trend…** Americans with lower incomes, lower levels of education, and residents of rural areas have consistently less trust in the sector than their wealthier, more educated peers. The age gap also widened: Gen Z reported a significant trust decrease, while the oldest respondents increased their trust… Even amid declining trust, Americans' expectations for the sector remain high… 84% of respondents said they were confident in the ability of nonprofits to strengthen American society"

Source: Independent Sector, July 2021

AICPA Code of Professional Conduct

Effective December 15, 2014.

Updated for all official releases through March 2021.

(220 pages)

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The AICPA Code of Professional Conduct Consists of Six Main Principles:

1. **Responsibilities**– This principle notes that members should always exercise moral and professional judgment during the course of their work and career.
2. **The Public Interest** – This principle notes that members should act in ways that will serve the public interest and maintain public trust. ‘The public’ in this case means anyone the member serves. This creates a unique situation since there may be conflicting demands from different members of the public. The AICPA’s code explains that, in these cases, members should always act with integrity and realize that when their responsibility to the public is maintained, everyone benefits.
3. **Integrity-** Integrity means being honest and candid while also maintaining client confidentiality. This principle notes members should perform all professional responsibilities with the highest sense of integrity, which is the best course of action to maintain the public trust.
4. **Objectivity and Independence** – Objectivity means that members should tackle each of their professional responsibilities free of conflicts. Members should also maintain independence in both fact and appearance when providing services to their clients… You can’t have independence without objectivity. Members should constantly be evaluating their responsibilities and relationships to ensure they’re holding themselves to the highest standards of objectivity and independence.
5. **Due Care** – Members should be constantly trying to improve their ethical competence and act to the best of their ability when it comes to ethical standards.
6. **Scope and Nature of Services** – When providing services to clients, members should evaluate whether those services can be carried out while adhering to the professional standards above. If they can’t, the services should not be included in the scope of the work.

Source: The AICPA Code of Professional Conduct: What You Need to Know CPA Self Study, April 17, 2020

Ethics Resource Center's

National Nonprofit Ethics Survey[SM]

An Inside View of Nonprofit Sector Ethics

2007

Fourth in a longitudinal study of U.S. workplaces

“The most prevalent types of misconduct observed in nonprofits echo the other sectors. In 2007 the following were observed by the highest percentage of nonprofit employees: Putting own interests ahead of organization — 24 percent; Lying to employees — 21 percent; Abusive behavior — 19 percent; and Misreporting hours worked — 19 percent… Financial fraud is higher in nonprofit organizations than it is in business or government.”

“The nonprofit sector provides the best possible example of the difference a well-implemented ethics program and strong culture can make. Where present, levels of misconduct drop to nearly 0 percent, and, when violations occur, 100 percent of employees report the situation to management.”

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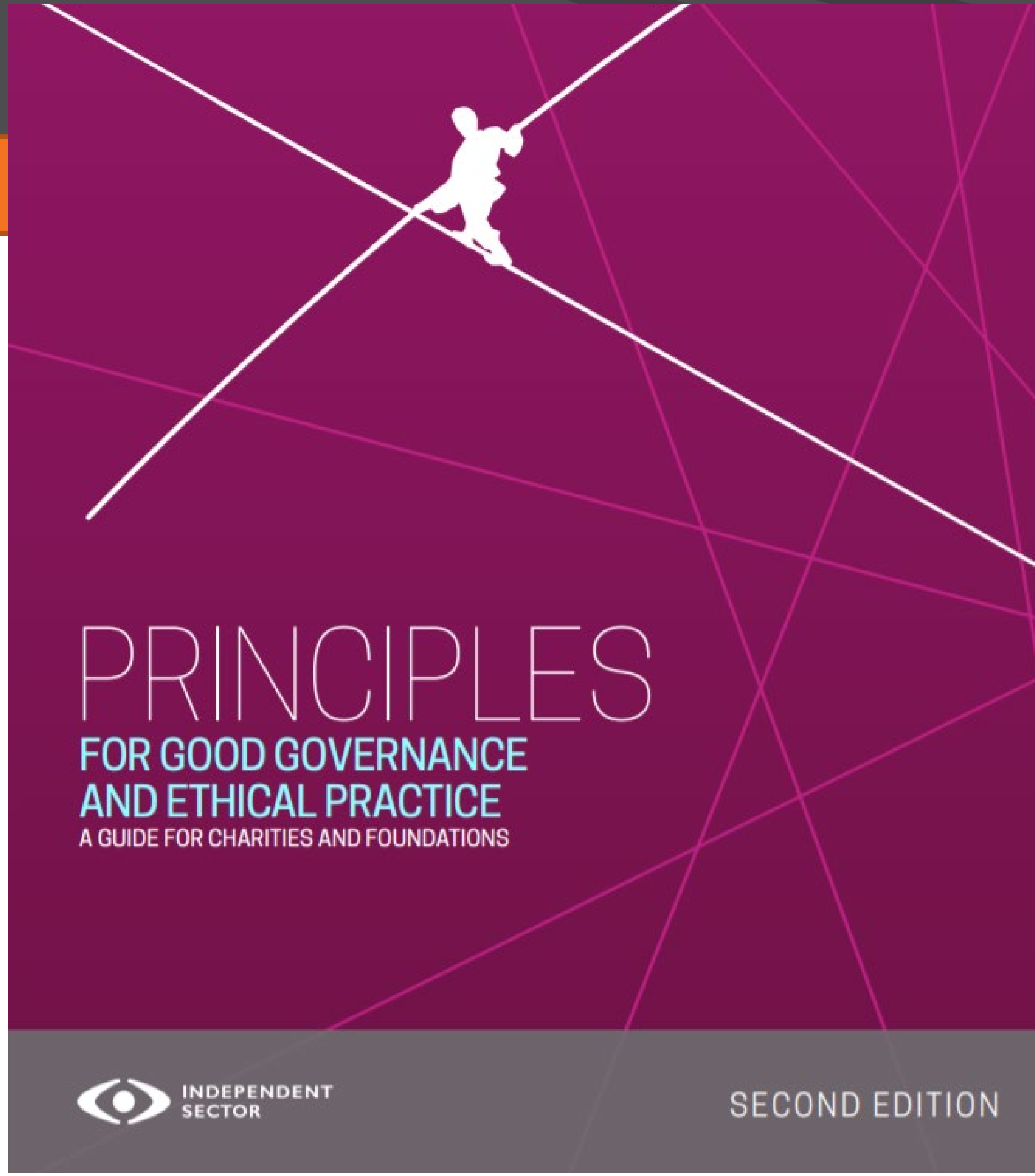
PRINCIPLES
FOR GOOD GOVERNANCE
AND ETHICAL PRACTICE
A GUIDE FOR CHARITIES AND FOUNDATIONS
INDEPENDENT
SECTOR
SECOND EDITION

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Code of Ethics

All nonprofit organizations (including small ones) should have a board-approved code of ethics (principle #2); board members should sign the code of ethics at least once, although the frequency and format of reaffirming their commitment to the code should be decided upon by the organization; and organizations should decide for themselves whether volunteers (aside from board leadership) need to sign the code. Furthermore, the code should be accompanied by specific policies and procedures describing how it will be put into practice and how violations will be addressed.

Transparency vs. Privacy

Updated principles recognize the important balance between organizations being highly transparent, and appropriately protecting individual privacy. Principles (#6, 7, & 33) urge that organizations are transparent to ensure that the public has an understanding of an organization's mission, purpose, and activities. For example, it is best practice for an organization to have an online presence with information that is timely and clear. This increases public trust and enables the organization to demonstrate impact and how it stewards public funding. At the same time, this proclivity towards transparency needs to be balanced by valid privacy concerns to protect clients, consumers, employees, and volunteers, bearing in mind physical risk, integrity of personnel, privacy of children, and prohibitive costs.

Executive Compensation

Principle (#13) calls on the full board to evaluate, thoroughly understand, and approve the compensation of the CEO annually in advance of any change in compensation. If a committee is designated to review the compensation and performance of the CEO, the committee findings and recommendations should be reported to the full board. In determining compensation, the board or committee should seek objective external data to support its decisions.

Overhead Costs

An important reframing of our principle of overhead costs (#24) describes administrative expenses as an integral component of program support – rather than costs that detract from program resources.

Our previous language juxtaposed the two, urging organizations to spend a significant percentage on programs while also providing sufficient resources for administration and fundraising. Our new language calls on an organization to spend a significant amount of its budget on programs while ensuring that the organization has sufficient administrative and fundraising capacity to deliver those programs responsibly and effectively. The principle also retains reference to the 65% threshold that watchdog groups recommend as a minimum to be spent on program activities.

Nonprofit Board Member
CODES OF CONDUCT AND ETHICS

CODES OF ETHICS

There has been increasing concern about ethical behavior in nonprofit — particularly charitable — organizations in recent years. Public scandals in the nonprofit sector have drawn attention to the need for an increased level of board accountability. In response, many organizations have developed codes of ethics. These documents encompass the values of the organization and provide a code of conduct for employees and volunteers, including board members. While a values statement guides the organization in a strategic, fundamental way, codes of ethics shape the actions, behaviors, and decision making of an organization in a more explicit way.

Although a code of ethics by itself cannot prevent wrongdoing, it conveys a strong message both internally and externally about the culture and work of the organization.

Key Elements

- Serves as an overarching statement for other policies that establish standards of integrity and accountability.
- Should outline the process and/or mechanism for implementing the defined culture and values within the organization from top to bottom. A values statement is sometimes incorporated into the code of ethics.
- Often general in nature. Some issues, such as confidentiality, conflict of interest, and nepotism, may be addressed in separate policies.

Three sample codes of ethics are provided.

Source: 2018 BoardSouce.org

Nonprofit Board Member
CODES OF CONDUCT AND ETHICS

Are nonprofit board members required to conduct themselves in any particular manner? Yes! Under well-established principles of nonprofit corporation law, a board member must meet certain standards of conduct and attention in carrying out his or her responsibilities to the organization. Several states, in fact, have statutes adopting some variation of these duties that would be used in court to determine whether a board member acted improperly. These standards are usually described as the duty of care, the duty of loyalty, and the duty of obedience.

DUTY OF CARE

The duty of care describes the level of competence that is expected of a board member and is commonly expressed as the duty of "care that an ordinarily prudent person would exercise in a like position and under similar circumstances." This means that a board member owes the duty to exercise reasonable care when he or she makes a decision as a steward of the organization.

DUTY OF LOYALTY

The duty of loyalty is a standard of faithfulness; a board member must give undivided allegiance when making decisions affecting the organization. This means that a board member can never use information obtained as a member for personal gain, but must act in the best interests of the organization.

DUTY OF OBEDIENCE

The duty of obedience requires board members to be faithful to the organization's mission. They are not permitted to act in a way that is inconsistent with the central goals of the organization. A basis for this rule lies in the public's trust that the organization will manage donated funds to advance the organization's mission. This duty also requires board members to obey the law and the organization's internal rules and regulations.

Source: 2018 BoardSouce.org

American Red Cross Code of Business Ethics and Conduct

The American Red Cross is a not-for-profit charitable organization dedicated to providing services to those in need. The Red Cross has traditionally demanded and received the highest ethical performance from its employees and volunteers. In an effort to maintain the high standard of conduct expected and deserved by the American public and to enable the organization to continue to offer its services, the American Red Cross operates under the Code of Business Ethics and Conduct outlined below. All employees and volunteers are required to sign the Code of Business Ethics and Conduct form certifying that, in delivering Red Cross services and in all other Red Cross activities, they shall be mindful of the following standards:

- **Compliance Requirements.** All employees and volunteers are required to comply with applicable federal, state and local laws and regulations and with American Red Cross corporate policies and regulations.
- **Actions Prohibited by the Code of Business Ethics and Conduct.** No employee or volunteer shall engage in the following actions:

For example: “Disclose any confidential [ARC] information that is available solely as a result of the employee’s or volunteer's affiliation with the [ARC]; Knowingly take any action or make any statement intended to influence the conduct of the [ARC] in such a way as to confer any financial benefit on any person, corporation or entity in which the individual has a significant interest or affiliation; and Operate or act in any manner that is contrary to the best interest of the [ARC].”

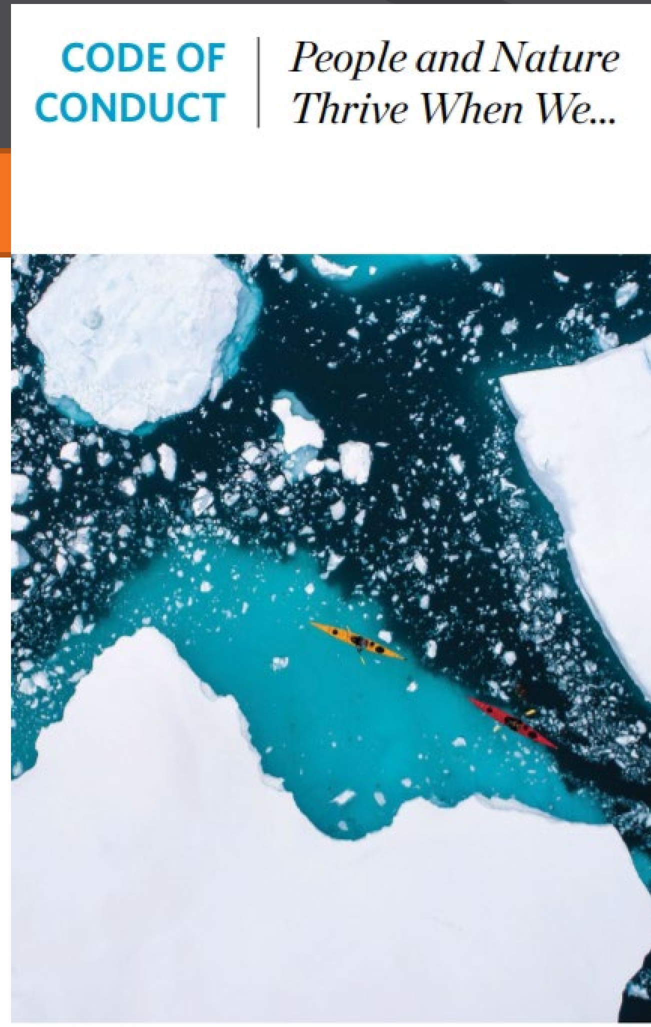
Ethics and Compliance

What are ethics?

- A discipline relating principles of right and wrong.
- Standards of behavior governing individuals and organizations.
- Doing the right thing when no one is looking!

We must all protect the values that make us who we are.

- Fundamental Principles
- American Red Cross Values
- American Red Cross Code of Business Ethics and Conduct
- Corporate/Organizational Policies
- Compliance and Ethics Handbook
- Stewardship Principles



The Nature Conservancy

Three Ethics Resources Every Association Should Provide Its Members… "In theory, ethical decision-making should be straightforward—a manner of behavior that does not need to be formally taught in a school classroom or continuing education course. In practice, ethical misconduct occurs frequently, and each year the opportunities for unethical behavior increase as technology advances… This problem begs for a solution. The reality, though, is that many organizations do not have the bandwidth or resources to provide comprehensive ethics education and management tools for their employees, and this can contribute to an organizational climate that fosters unethical conduct… Another issue is the failure of some business and professional schools to sufficiently educate students on the importance of ethical behavior in their profession… Given that employers and educational institutions currently do not provide adequate ethics resources, associations have an opportunity and responsibility to develop professions that prioritize ethical behavior."

Source: ASAE website, January 28, 2020

Ethics and Accountability for Nonprofits… "America's charitable nonprofits rely on the public trust to do their work. That is why it is so important that charitable nonprofits continuously earn the public's trust through their commitment to ethical principles, transparency, and accountability. If only one donor loses confidence in a charitable nonprofit because the nonprofit behaves unethically, that's one too many…

LEGAL REQUIREMENTS OF ETHICAL CONDUCT

- IRS regulations require that charitable nonprofits may not be "operated for the benefit of private interests." This prohibition is the foundation of the "public benefit" requirement, and the legal, as well as ethical, guiding principal for all charitable nonprofits.
- The Sarbanes-Oxley Act of 2002 includes two provisions that apply to nonprofits: (1) a prohibition against destruction of documents that are tied to a criminal investigation, and (2) a prohibition of retaliation against whistleblowers. As a result of the Act (and questions posed on the IRS Form 990) most nonprofits are now aware of the "best practices" of having a board-approved whistleblower protection policy, and a document retention/destruction policy.
- The IRS Form 990, Part VI, includes several questions focusing attention on governance practices that while not legally required, demonstrate accountability and transparency. These questions ask whether the nonprofit has a written conflict of interest policy, as well as procedures for managing conflicts, and whether the full board approves executive compensation, as well as the IRS Form 990 prior to filing; Other questions ask whether the nonprofit has a whistleblower protection policy and a document retention policy."

Source: National Council of Nonprofits Website, November 8, 2021

IRS Form 990, Part VI line 5: “Did the organization become aware during the year of a significant diversion of the organization’s assets”?

From Form 990 Instructions: “Answer ‘Yes’ if the organization became aware during the organization's tax year of a significant diversion of its assets, whether or not the diversion occurred during the year. If ‘Yes,’ explain the nature of the diversion, dollar amounts and/or other property involved, corrective actions taken to address the matter, and pertinent circumstances on Schedule O (Form 990 or 990-EZ), although the person or persons who diverted the assets shouldn't be identified by name… a diversion is considered significant if the gross value of all diversions (not taking into account restitution, insurance, or similar recoveries) discovered during the organization's tax year exceeds **the lesser** of (1) 5% of the organization's gross receipts for its tax year, (2) 5% of the organization's total assets as of the end of its tax year, or (3) $250,000.”

“Nonprofit fraud is an evergreen concern that organizations grappled with before the pandemic. Last year, the Association of Certified Fraud Examiners released the 2020 update to its biennial Report to the Nations, which examines the costs and effects of workplace fraud. The 2020 edition of the Report included a spotlight on fraud in nonprofits, utilizing pre-pandemic data. ACFE found that a staggering combined 74% of nonprofit fraud was perpetrated by individuals at the officer and management levels. According to ACFE, the top three causes of nonprofit fraud were a lack of internal controls, a lack of management review of existing internal controls, and override of existing internal controls.”

Source: Venable LLP - Fraud, Theft and Embezzlement in Nonprofit Organizations Part 1, September 2, 2021

“Nonprofits should carefully consider how much information should be disclosed, and to whom, in developing a communication plan to reassure key stakeholders of the organization. Such a plan may include descriptions of how a nonprofit has recovered or will recover stolen assets and the steps the organization is taking to prevent future theft. Organizations should carefully consider the contents of public disclosures—a public accusation linking a specific individual to a theft could lead to a defamation action if the accusation is shown to be false. Affected staff should be provided with "need-to-know" details to prevent rumors from spreading.”

Source: Venable LLP - Fraud, Theft and Embezzlement in Nonprofit Organizations Part 2, October 7, 2021

Charitable Diversions: Tax Implications and Tips for Addressing Them… "In October 2013, a *Washington Post* report identified more than 1,000 nonprofit organizations that reported a significant diversion of assets since the 2008 redesign of Form 990 (Stephens and Flaherty, "Inside the Hidden World of Thefts, Scams and Phantom Purchases at the Nation's Nonprofits," *The Washington Post* (Oct. 26, 2013)). The report revealed that most diversions were attributable to theft or embezzlement and found that despite Form 990 instructions requiring specific details regarding the diversion, many organizations provided few details. In conjunction with its investigation, *The Washington Post* created an online database listing organizations reporting a diversion and excerpts of the related Form 990 reporting."

Source: The Tax Adviser, July 1, 2014

5 Common Ethical Issues in the Workplace… "Here are five ethically questionable issues you may face in the workplace… *Unethical Leadership* Having a personal issue with your boss is one thing, but reporting to a person who is behaving unethically is another… *Toxic Workplace Culture* Organizations helmed by unethical leadership are more often than not plagued by a toxic workplace culture… *Discrimination and Harassment* When discrimination and harassment of employees based on race, ethnicity, gender, disability or age occurs, not only has an ethical line been crossed but a legal one as well. *Unrealistic and Conflicting Goals* While not unethical in and of itself (after all, having driven leadership with aggressive company goals is crucial to innovation and growth), it's how employees, and even some leaders, go about reaching the goal that could raise an ethical red flag. *Questionable Use of Company Technology* While this may feel like a minor blip in the grand scheme of workplace ethics, the improper use of the internet and company technology is a huge cost for organizations."

Source: Michigan State University, July 15, 2019

Eight Common Ethical Dilemmas Business Owners Face (And How To Overcome Them) Young Entrepreneur Council member opinions… "

- *4. Letting Clients Go* - Walking away from toxic clients can be a common ethical dilemma…
- *5. Responding To Employee Social Media Behavior* - The question of how to respond to employees' social media behavior outside of work is a difficult one…It's entirely justifiable to fire an employee over poor behavior on their personal social media accounts but it's sometimes tricky to determine exactly when that line is crossed…
- *6. Keeping Employees Because Of Seniority* - It's normal for business owners to feel that they should be good to people who have been around a company for a long time. However, the people who got you to where you are today are not necessarily the ones who are going to get you to where you need to go in the future.
- *8. Creating Honest Marketing* - Being honest with your marketing message is one of the biggest ethical dilemmas that the modern business owner faces.

Source: Forbes, April 30, 2021

Ethics and Nonprofits… "Ethical challenges arise at all levels in all types of organizations—for-profit, nonprofit, and government—and involve a complex relationship between individual character and cultural influences. Some of these challenges can result in criminal violations or civil liability: fraud, misrepresentation, and misappropriation of assets fall into this category. More common ethical problems involve gray areas—activities that are on the fringes of fraud, or that involve conflicts of interest, misallocation of resources, or inadequate accountability and transparency.

Research identifies four crucial factors that influence ethical conduct:

- Moral awareness: recognition that a situation raises ethical issues
- Moral decision making: determining what course of action is ethically sound
- Moral intent: identifying which values should take priority in the decision
- Moral action: following through on ethical decisions."

Source: Stanford Social Innovation Review, Summer 2009

Ethics and Nonprofits… "There are six areas in particular where ethical issues arise in the nonprofit sector:

- Compensation
- Conflicts of interest
- Publications and solicitation
- Financial integrity
- Investment policies
- Accountability and strategic management…

Although no set of rules or organizational structures can guarantee ethical conduct, nonprofits can take three steps that will make it more likely:

- Ensure Effective Codes of Conduct and Compliance Programs
- Promote Effective Financial Management
- Institutionalize an Ethical Culture"

Source: Stanford Social Innovation Review, Summer 2009

COMPENSATION

Compensation For Nonprofit Employees… “We also want to encourage those managing nonprofits with employees to recognize that nonprofits compete with for-profit workplaces for talented workers, so setting the right level of compensation can make the difference between attracting and retaining qualified employees or, in contrast, suffering from high turnover and/or not being able to retain talented employees… Tax-exempt charitable nonprofits, like all other employers, are required to follow federal and state wage and hour laws that require employers to pay minimum wage. At the upper end, compensation must be "reasonable" and not "excessive," which is a fundamental requirement of maintaining tax-exempt status.”

Source: National Council of Nonprofits website, February 26, 2022

“**Nonprofit Executive Compensation… “**Nonprofit executive compensation scrutiny is not going away anytime soon. In fact, it is only likely to increase. If you know your nonprofit has problems in this area, be proactive, get it fixed, and get back on track with compliant and transparent compensation practices.”

Source: Foundation Group CEO’s blog, May 10, 2021

4 Major Problems with Nonprofit Compensation… "Yes, some charity executives are overpaid. However, many high-paid nonprofit employees are worth every dollar because of their skills and proven results. Geographical cost of living is another reason some nonprofit professionals earn higher salaries. On the other hand, the story that the media seldom cover is that of underpaid nonprofit staff. The failure to provide a competitive salary, or even a salary someone can live on reasonably, makes it difficult for charities to attract and retain talented staff."

Source: Michael Rosen Says website, posted June 11, 2019

A King County nonprofit raised all staff salaries to $70,000 minimum. Will more organizations follow?… "For some of the organization's 24 staff, the pay hikes amounted to a $20,000 annual raise in an instant, using existing funds. The increases added about $400,000 to its 2022 budget, Executive Director Sean Goode said, an amount the board supported unanimously. He was confident he would be able to fundraise to support the change going forward… 'paying people at rates that leave them one paycheck away from being unhoused,' he said. 'We can't continue to only address those who are living on the street today, we have to also address those that are working hard today, but are one paycheck away because they're failing to make a living wage.'"

Source: The Seattle Times, November 15, 2021

Open Positions:

We have no open positions at this time, but please check back for future openings.

Source: Choose180.org, February 27, 2022

CONFLICT of INTEREST

ASSOCIATION OF
GOVERNING BOARDS
OF UNIVERSITIES AND COLLEGES

AGB Board of Directors' Statement on

Conflict of Interest

with Guidelines on Compelling Benefit

Excerpts from AGB Statement

The standard connotes that permissible conflict transactions will be rare, and provides that the board in no event should approve a conflict of interest transaction unless the transaction (1) would bring compelling benefit to the institution, and (2) is subjected to warranted carefully defined conditions that assure propriety and the appearance of propriety.

In light of the risks and costs that conflicts of interest entail, a plausible conclusion might be that board member conflicts of interest should never be tolerated. Yet board members have a fiduciary duty not to dismiss out of hand transactions of great benefit to the institution. Accordingly, the risks and costs of conflicts of interest may be tolerated only where countervailing benefit to the institution is compelling.

A board may differently analyze the cost of losing an existing arrangement than the benefit of entering into that same arrangement… A benefit replaceable without heavy burden is presumptively not compelling… Speculative benefit will rarely be compelling... Compelling benefit should be subject to independent confirmation by the nonconflicted board members. A conflicted board member's assurances regarding the benefit of the transaction should be independently verified.

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Conflict of Interest: Recusal Is Not Enough… “A closer look at real-life examples reveals three separate but related issues that surface repeatedly: (1) failure to navigate the gray areas of conflicts of interest, including group dynamics within the boardroom; (2) failure to navigate the gray areas of recusal and disclosure; and (3) failure to fully appreciate unintentional reputational damage because, technically, the transaction being considered is not illegal… Effective governance requires more than compliance. To be clear, doing what the law requires is a great starting point, but ethical leadership (doing what is right under the circumstances) has to be part of the equation. In *Managing Conflicts of Interest*, authors Sarah Paul and Daniel Kurtz propose that we think about conflict of interest along a continuum from totally unacceptable at one end (illegal or widely regarded as unethical), to inconsequential at the other end. The problem is that not avoiding conflicts at the inconsequential end can lead to a well-populated swamp of the totally unacceptable, and that is a hard place from which to recover.

Source: Nonprofit Quarterly, November 5, 2019

The True Cost of Nonprofit Ethical Failures… "Memorial Sloan-Kettering Cancer Center has had four recent ethical failures, each with conflicts of interest at the core. The chief medical officer failed to disclose significant financial relationships with pharmaceutical and other medical companies related to his research. He resigned. The chief executive of MSK received $300,000 for serving as a board member to the drug company, Merck. This was in addition to his 2016 compensation package of about $6.7 million from the hospital. He has resigned from his board position with Merck. A hospital vice-president, as compensation for representing MSK on the board of a newly public company, held an almost $1.4 million stake in the company. The vice-president has now turned over that stake to the hospital. A group of insiders, including both board members and high-level employees, founded an artificial intelligence start-up, making a deal with MSK to grant the new company an exclusive license to 25 million tissue samples collected by MSK. The chair of the pathology department has stated his intention to divest his shares."

Source: scu.edu, Joan Harrington, October 29, 2018

Goodwill Omaha's debacle, and what we can learn from it… "*Omaha World-Herald* reporter Henry J. Cordes and columnist Matthew Hansen found these abuses in Goodwill Omaha, in a series that ran in October. According to its 2014 Form 990, Goodwill Omaha CEO Frank McGree had compensation of $933,444, including a base salary of $250,000, an incentive bonus of $95,000, $52,000 in deferred retirement pay and a whopping "special retention bonus" of $519,000, which Goodwill said was a one-time reward for McGree's 30 years of service. Thirteen other Goodwill Omaha employees brought home six-figure salaries, a number that rose to 14 in 2015… I thought this response [to written questions] was particularly memorable.

Question: "There are a number of employees in leadership positions at Goodwill that are related to others in high positions. To name some, there are Frank and Shannon McGree. Vice president Cheryl Hilgenkamp has a sister working directly under her. Board member Carol Russell's daughter-in-law is a vice president. Should the public be concerned about that?"

McGree: "No. I think our mission is contagious and our focused pursuit of success is infectious. I'm really proud that we foster brand advocates out of our employees that are constantly making referrals of friends and family that already bleed Goodwill Blue." He added that all these relatives "were hired based on demonstrated ability, proven experience and passion for our mission, and they prove their value daily."

Source: Philanthropy Daily, January 17, 2017

A Message From Tobi Mathouser, President and Chief Operating Officer…

“When corruption is uncovered in a business or organization, how do you know whether the problems have been resolved or the organization is feeding you lip service?

I’m not sure there’s a single definitive answer. What I do know is that most people can easily spot whether another person, a business or an organization is transparent and authentic — two words that I would like to see become synonymous with Omaha’s Goodwill organization.

We’re willing to work hard to earn the right to call ourselves both, and we have worked tirelessly over the past three years to make progress toward both. I believe that starts with honest communication, which you’ll see much more of from our organization.

When the Nebraska Attorney General’s Office opened an investigation in 2016, triggered by a local media report, it uncovered practices that shocked most employees. As a result, members of the board of trustees acted swiftly and resolutely, which resulted in a complete overhaul of the executive team and most of the board.”

Source: goodwillomaha.org

PragerMetis

Surviving Rough Waters: How the Nature Conservancy Bounced Back From Scandal… "Reports by *The Washington Post* in May 2003 on controversial practices by the Nature Conservancy prompted investigations of the nonprofit by Congress, the Internal Revenue Service, and the Environmental Protection Agency. To regain public trust, the organization set out to overhaul its policies, restructure its board, and reassure big donors. In a series of articles examining the nonprofit's questionable financial transactions, the newspaper alleged that the group was providing tax breaks to its own trustees and selling its name and logo to corporations. What's more, the newspaper charged that the nonprofit allowed donors to get tax breaks for donating land to be preserved when it wasn't always clear that the land was actually protected from development… [In June 2003] **The Nature Conservancy** said that future conservation deals would be created with rules that could be legally enforced. It would no longer buy or sell land in transactions involving board members, trustees, staff members, or their families; lend money to staff members; or drill for oil or gas or mine for minerals on its land. **It planned** to create a panel of independent advisers to strengthen 'governance, transparency, and accountability.'"

Source: Chronicle of Philanthropy, October 5, 2015

A #MeToo scandal engulfs The Nature Conservancy… “allegations of workplace misconduct, sexual harassment and discriminatory treatment of female employees. Several senior executives, including the CEO, have resigned and trust in the organization has been shaken. This is not the first time The Nature Conservancy… has gotten itself into trouble.”

Source: theworld.org, July 23, 2019

PragerMetis

Housing Boss Earns $1 Million to Run Shelters Despite a Troubled Past… “Soon after Jack A. Brown III quit his job at a private prison company, his former employer accused him of fraud. A few years later, after Mr. Brown started a nonprofit to run halfway houses, a federal audit found that it had failed to deliver key services. The New York State comptroller concluded in another review that Mr. Brown had shown “a disturbing pattern of ethical violations.”… Since 2017… the city has awarded more than $352 million to a nonprofit run by Mr. Brown to operate shelters… The nonprofit has channeled contracts worth at least $32 million into for-profit companies tied to Mr. Brown, allowing him to earn more than $1 million a year, The New York Times found. Millions more have gone to real estate companies in which he has an ownership interest. He has also hired his family members and given employees perks such as gym memberships and cars.”

Source: New York Times, October 3, 2021

Matthew Kelly's companies do business with the nonprofit he founded… "The Ohio-based author, speaker and management consultant also founded and runs a nonprofit evangelization organization, the Dynamic Catholic Institute, and owns a number of for-profit businesses… In fact, at least three of Kelly's numerous for-profit companies do business with the nonprofit where he is CEO… Over the years, Dynamic Catholic has provided more than $48 million to Kelly's companies, in book sales, consulting fees and rent, according to the seven years for which tax documents are available, 2011-17… But what those donors may not know is that, on average, about 80 cents of every dollar donated to Dynamic Catholic ends up at a for-profit company owned by Kelly. In some years, such as 2015, more than 100 percent of the money donated went to Kelly's businesses."

Source: National Catholic Reporter, January 16, 2020

(13) Conflict of Interest Policy and Standards

Included among the Association's officers, board, and committee members are volunteers from the business, medical, and scientific community who provide valuable assistance to the Association in the development of policies and programs and in the evaluation of research awards and grants and business relationships. The Association has adopted a conflict of interest policy and standards whereby volunteers are required to abstain from participating in or otherwise attempting to influence decisions in which they have a personal, professional, or business interest.

Source: American Heart Association, June 30, 2021 Financial Statements

N. Related Party Transactions

Members of Dartmouth's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with Dartmouth. Dartmouth has a written conflict of interest policy that requires annual reporting by each Trustee, as well as senior management. Additionally, Dartmouth has a policy on Pecuniary Benefit Transactions and Related Party Investments. This policy supplements the Dartmouth College Conflict of Interest Policy with regard to pecuniary benefit transactions, as defined by New Hampshire law, including but not limited to Dartmouth's investment in investment vehicles in which Trustees have a financial interest. These policies include, among other things, that no member of the Board of Trustees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be for goods or services purchased or benefits provided in the ordinary course of the business of Dartmouth, for the actual or reasonable value of the goods or services or for a discounted value, based on terms that are fair and reasonable to and in the best interest of Dartmouth, and in accordance with applicable conflict of interest laws.

Source: Dartmouth College, June 30, 2021 Financial Statements

(14) Related Party Transactions

Members of the university's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the university. The university's conflict of interest policy requires, among other things, that no member of the Board of Trustees or its committees participate in any decision in which he or she (or an immediate family member) has a material financial interest. For members of the Board of Trustees and senior management, the university requires an annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the university. When such relationships exist, measures are taken to address the actual or perceived conflict to protect the best interests of the university and ensure compliance with relevant conflict of interest laws.

During fiscal 2020, the Board of Trustees approved an agreement to purchase a leasehold interest in a condominium which allows the right to use a facility located near campus through 2069 with an entity associated with a trustee. The purchase price will be paid in annual installments of $4,750 commencing January 2021. The terms of the agreement require the university to pay annual common charges equal to $4,750 plus escalations, through 2069. As of June 30, 2020, approximately $55,000 of construction costs were incurred and capitalized as construction in progress and other long-term liability on the consolidated balance sheets. The university took possession of the facility in fall 2020 and will use the facility as a dormitory for its students.

Consistent with the policy discussed above, the decision to engage the firm was based on a review and discussion without participation of the interested trustee, with the assistance of real estate consultants and outside counsel, and a determination that such engagement was in the best interest of and provided substantial benefit to the university. No such relationships existed during the fiscal year ended June 30, 2019.

Source: The New School June 30, 2020 Financial Statements

ACCOUNTABILITY & TRANSPARANCY

How Do We Rate Charities' Accountability and Transparency?...

"What We're Looking For

We define accountability and transparency in assessing charities as follows:

- *Accountability* is an obligation or willingness by a charity to explain its actions to its stakeholders.
- *Transparency* is an obligation or willingness by a charity to publish and make available critical data about the organization.

We believe that charities that are accountable and transparent are more likely to act with integrity and learn from their mistakes because they want donors to know that they're trustworthy. Generally speaking, charities that follow best practices in governance, donor relations and related areas are less likely to engage in unethical or irresponsible activities. Therefore, the risk that charities would misuse donations should be lower than for charities that don't adopt such practices. When examining accountability and transparency, Charity Navigator seeks to answer two basic questions:

- Does the charity follow good governance and ethical best practices?
- Does the charity make it easy for donors to find critical information about the organization?

What Data We Use

We consider two data sources when examining accountability and transparency:

- Additional information available from the IRS Form 990; and
- A review of the organization's website."

Source: Charity Navigator website, November 18, 2021

New Study Shows Transparency Isn't Just Good Ethics - It's Good Business… "Such transparency, implying consistently candid and open management communication, is often considered nice to have but perhaps, from some management perspectives, a bit Pollyanna-ish… Management transparency is the top factor when determining employee happiness… Only 42% of employees knew their organization's vision, mission or values. 'Too many executives,' the summary noted, 'are not communicating and reinforcing their company's guiding principles and mission.' … It's a fundamental management miscalculation to underestimate employees' ability to see through obfuscation and spin. Fact is, people listen very keenly to what their leaders say"

Source: Forbes website, December 11, 2013

Transparency is the Bedrock of Ethics… "Transparency is essential to an ethical climate in organizations and should be evident in communications, practices, policies, meetings, and other interactions. Making cultural changes requires conscious effort and deliberate actions to overcome the previous opaque culture… Building a culture of transparency takes time and significant effort, but your reward will be better relationships between highly engaged employees, which will foster an excellent ethical foundation on which to operate. If you don't have good information, then be honest and explain why. Employees will appreciate your candid feedback."

Source: Strategic Finance, September 1, 2019

8 Steps for Leading Ethically and With Transparency... "Transparency is an essential component to ensuring accountability and running an ethical organization. However, how do you know you are running a transparent organization when there are seemingly so many definitions? Most of them are limited to making financial, programmatic, and organizational data public. However, I would argue that it also extends to governance and management practices. When organizations do not engage in transparent decision-making and regularly ignore their own rules, they lose the trust of their staff and volunteers. This inevitably hampers the ability of the organization to carry out its mission."

Source: Third Sector News, February 22, 2021

Joint Cost Allocations Under Scrutiny by State Regulators: Avoid These Mistakes… "In several states, including New York, Michigan, and California, regulators have brought enforcement actions alleging that as a result of an incorrect allocation of joint costs, the charitable organization has in effect made materially false statements in the financial documents they submit as part of their required state reporting. This is despite the organization's submission of audited financial statements verified by an independent CPA to meet generally accepted accounting principles ("GAAP")…In addition, these and other states allege that the use of incorrect allocations in solicitation materials is intended to skew the percentage of program versus fundraising expenses as an inducement to donors (think of the popular use of the Program vs. Fundraising/Administration pie chart in direct mail solicitations). This, the States claim, constitutes deceptive fundraising practices and is therefore in violation of state charitable solicitation laws… The common use of the phrase "public education and outreach" to describe program allocations in connection with the joint cost allocation methodology contributes to the confusion, because it seems to suggest that content which educates the public about the organization's mission and programs constitutes an appropriate "program" allocation. The fact is that only "call to action" content is allocable to program."

Source: Perlman & Perlman LLP, July 13, 2018

PVA IMPACT

With your support, PVA has helped millions of Veterans, their family members, caregivers and those living with SCI/D.

+$1 Billion

Secured to date for veterans & families PVA represents.

+$280 Million

In earned benefits received for Veterans in 2020.

+$78 Million

Paid in Adaptive Housing & Automobile Grants in 2020.

+$948 Thousand

In grants funded to SCI/D research & education in 2020.

Source: PVA Website Homepage, February 27, 2022

PVA Program Expenses	
Public Education	$79.9 mil
VA Benefits & Medical Advocacy	15.4
Chapter & Community Outreach	4.8
Research, Consumer & Professional Education	3.5
Advocacy	1.7
Sports & Recreation	0.9
Total Program Expenses	$106.2 mil

Salaries & Related	$22.1 mil
Donated PSAs	56.6
Mail Program	52.7
All Other	20.1
Total Expenses	$151.5 mil

Source: PVA 6/30/21 Financial Statements

FUNDRAISING

The following were excerpted from Principles for Good Governance and Ethical Practice 2nd Edition.

PRINCIPLE 27

Solicitation materials and other communications addressed to donors and the public must clearly identify the organization and be accurate and truthful.

PRINCIPLE 28

Contributions must be used for purposes consistent with the donor's intent, whether as described in the relevant solicitation materials or as specifically directed by the donor.

PRINCIPLE 30

A charitable organization should adopt clear policies, based on its specific exempt purpose, to determine whether accepting a gift would compromise its ethics, financial circumstances, program focus, or other interests.

Continued

PRINCIPLE 31

A charitable organization should provide appropriate training and supervision of the people soliciting funds on its behalf to ensure that they understand their responsibilities and applicable federal, state, and local laws, and do not employ techniques that are coercive, intimidating, or intended to harass potential donors.

PRINCIPLE 32

A charitable organization should not compensate internal or external fundraisers based on a commission or a percentage of the amount raised.

PRINCIPLE 33

A charitable organization should respect the privacy of individual donors and, except where disclosure is required by law, should not sell or otherwise make available the names and contact information of its donors without providing them an opportunity at least once a year to opt out of the use of their names.

CODE OF ETHICAL STANDARDS

ETHICAL STANDARDS (Adopted 1964; amended Oct 2014)

The Association of Fundraising Professionals believes that ethical behavior fosters the development and growth of fundraising professionals and the fundraising profession and enhances philanthropy and volunteerism. AFP Members recognize their responsibility to ethically generate or support ethical generation of philanthropic support. Violation of the standards may subject the member to disciplinary sanctions as provided in the AFP Ethics Enforcement Procedures. AFP members, both individual and business, agree to abide (and ensure, to the best of their ability, that all members of their staff abide) by the AFP standards.

PUBLIC TRUST, TRANSPARENCY & CONFLICTS OF INTEREST (standards 1-11)

SOLICITATION & STEWARDSHIP OF PHILANTHROPIC FUNDS (standards 12-16)

TREATMENT OF CONFIDENTIAL & PROPRIETARY INFORMATION (standards 17-20)

COMPENSATION, BONUSES & FINDER'S FEES (standards 21-25)

Sexual Harassment Is Widespread Problem for Fundraisers, Survey Shows…

"Donors are a big source of the sexual harassment that fundraisers face on the job, according to polling results released today by the Chronicle of Philanthropy and the Association of Fundraising Professionals."

Source: Chronicle of Philanthropy, April 5, 2018

PragerMetis

Addressing Donor Misconduct: Advice to Boards and Leaders… "Last week, the *New York Times* reported on an ongoing pattern of harassment and abuse by Michael Steinhardt, a wealthy and powerful donor to many Jewish organizations. Fundraisers from several nonprofit organizations came forward as a part of the story, sharing their experiences of painfully consistent and inappropriate advances from Steinhardt over a period of many years… Sexual harassment by donors is a very real issue in the nonprofit sector; an example of how an imbalance of power can be exploited. The goal within each of our organizations should be to build a culture of respect, equity, and openness so that harassment doesn't occur—and if it does, employees feel secure and confident that they can approach their supervisor and/or others in the organization and expect an appropriate response."

Source: Nonprofit Quarterly, April 1, 2019

Tainted Money and Tainted Donors: A Growing Crisis?... "These concerns harken back to ethical questions raised about major philanthropists in the past, such as the famous controversy over John D. Rockefeller's gift to the missionary arm of the Congregationalist Church in 1905. In fact, the term "tainted money" was popularized in that debate… for rejecting Rockefeller money because of concerns over how it was made… Even at that time, ethical opinions were mixed about whether charities should accept tainted money. William Booth, founder of The Salvation Army, is often quoted as saying at the time, "the problem with tainted money is there t'aint enough!" Whether Booth actually said that or not, we know he was strongly in favor of accepting such money, saying tainted money was "washed clean" when used for the greater good… Finally, we need to always remember that establishing general policies and procedures is not enough to find our way through these ethical quagmires. Context matters in every case. What is "right" might depend on many factors of the situation and the parties involved. For example, might oil companies be considered tainted donors to environmental organizations, but not so much to arts ones?"

Source: Johnson Center, December 22, 2020

MIT Scandal Exposes a Crisis of Ethics at All Nonprofits… "When news of the MIT Media Lab's coverup of donations from Jeffrey Epstein was revealed by the *New Yorker,* we saw reactions of outrage and shock… That many seasoned fundraisers reacted to this news not with astonishment but with nodding heads and knowing looks is a reflection of the state of the nonprofit world and the growing need for change. We face a crisis of ethics at nonprofit organizations and in the fundraising profession. It's not that the word ethics is absent from conversations. It's that it's often confused with simply following the law. What's more, discussions on ethics are rare in organizations. This creates an environment where it becomes all too easy to value donations over everything else. The intentional actions to conceal Epstein's identity and defy MIT's disqualification of him as a donor demonstrates the absence — or, worse, abandonment — of ethical practice."

Source: The Chronicle of Philanthropy, September 12, 2019

PragerMetis

SOME FINAL THOUGHTS & CASE STUDIES

“Follow these steps to help you show integrity while at work:

1. Always act morally and ethically.
2. Treat everyone with respect.
3. Be honest and transparent in your communication.
4. Always put your best effort into your work.
5. Follow through on commitments and promises.
6. Be accountable for your actions.
7. Practice integrity in your personal life.”

Source: A Complete Guide to Integrity in the Workplace – Indeed, January 22, 2021

Keep ethics from "fading" when you face a tough decision… “Imagine you own a daycare center. You’re facing a problem: parents often arrive late to pick up their children. This means your staff has to stay late. They become annoyed, frustrated, and burned out. You want to protect your staff, and you want to drive home the message to parents that it’s important to arrive on time. So, you take action. You introduce a fine for late pick-ups. Each parent who is more than 10 minutes late will have to pay extra. Will this bold move solve your problem? Probably not.

In fact, the approach will likely backfire, according to a well-known study published in 2000. The study's authors worked with 10 different daycare centers and randomly selected six to introduce a system of fines for late pick-ups. By the end of the study, the centers that introduced the fines had roughly twice as many late pick-ups as the centers that didn't introduce the new policy. The fine was intended to eliminate late pick-ups—why did it have the opposite effect? The researchers suggest that it was because the fine changed the way the parents perceived their lateness. Before the fines, their lateness was a moral issue. They were likely to feel guilty or ashamed for arriving late. But after the fine, lateness wasn’t about morality anymore; it was simply a financial decision. The fine was the price they paid for receiving a service.

This problem applies to countless decisions both big small that we make every day. We rarely mean to do the wrong thing, but subtle cues lead us to ignore the moral implications of our decisions. We let our ethics "fade" from view. Researchers call this process **ethical fading**. It's one of the main reasons there is a gap between how we *intend* to behave and how we *actually* end up behaving.”

Source: Notre Dame Deloitte Center for Ethical Leadership, 2021

Common Ethical Issues In Business and What You Need to Know… "We've compiled a list of current ethical issues that you might have to confront in business…. 1. Discrimination and Harassment, 2. Compliance, 3. Governance, 4. Accounting Issues, 5. Theft, 6. Social Media, 7. Data Privacy… Social media use — whether you and your employees are on or off the clock — is one of the biggest current ethical issues in business. Your business should have a social media policy addressing do's and don'ts when employees work with the business's social media account (or accounts)… While you usually wouldn't police an employee's personal social media behavior during non-working hours, their posts could still cause ethical problems in your business… A clear, consistently enforced social media policy can help keep some business ethics concerns at bay. Have employees read and agree to your business's policy when they onboard at your company. Social media also rapidly evolves, so update your policy to reflect relevant changes to the landscape, looping in your employees as you do… avoiding ethical issues in your business starts at the top. Being a strong leader encourages employees to follow in your footsteps. Continue to apply decisions against a robust code of ethics and demand the same from your employees."

Source: Fast Capital 360, November 19, 2021

Stop Screening Job Candidates' Social Media… "Social media sites such as Facebook, TikTok, and Instagram have given many organizations a new hiring tool… However, new research suggests that hiring officials who take this approach should use caution: Much of what they dig up is information they are ethically discouraged or legally prohibited from taking into account when evaluating candidates—and little of it is predictive of performance."

Source: Harvard Business Review, September - October 2021

F.B.I. Sees 'Massive Fraud' in Groups' Food Programs for Needy Children… "Cracking down on the misuse of pandemic assistance, the agency says nonprofits in the Minneapolis area siphoned off tens of millions of dollars… the Justice Department said it was investigating at least 15 different feeding operations… all of which were supposed to be overseen by Feeding Our Future… that had received more than $65 million from federal food programs during the coronavirus pandemic. 'Almost none of this money was used to feed children,' the government wrote… the case has highlighted how the government's reliance on nonprofits to help carry out an array of programs can increase vulnerability to fraud… new attention on the role of nonprofits in particular in acting as conduits and overseers of federal money."

Source: The New York Times, March 9, 2022

Fever? Sore Throat? They Just Check 'No'… "Attestation forms for Covid may be turning us into fibbers… schools send out a health questionnaire for Covid-19.
The 'daily attestation,' as it is known, asks people to volunteer information about their health: 'Fever of 100 or above?' 'Sore Throat?'… Answer in the negative and entry is granted… Answer ['yes']… and you're banned. And, herein lies the problem: The forms are on the honor system… Lying on these questionnaires, which are also used by employers, airlines and day care centers, has become so widespread… Ethicists say that a system in which people routinely answer falsely can undermine public confidence."

Source: The New York Times, January 31, 2022

Building an Ethical Company… "People don't enter the workforce with a fixed moral character. Just as employees can nurture (or neglect) their skills and abilities over time, they can learn to be more or less ethical. Yet rather than take a long-term view of employees' moral development, many organizations treat ethics training as a onetime event, often limiting it to the onboarding process… Acknowledging that work can serve as a laboratory for lifelong ethical learning highlights the role an organization can play in helping employees become their best selves."

Source: Harvard Business Review, November – December 2021

How to Be a Leader Who Stays True to Their Ethics… "Honest conversations are a crucial tool in helping leaders and their organizations successfully act on their ethical ambitions. If you aspire to lead ethically and with high purpose, first turn inwards. Take the time to have an honest conversation with yourself to help figure out what matters to you, and where your ethics lie. Next, align your senior team."

Source: Harvard Business Review, September 15, 2021

"Some examples of moral dilemma questions: An Office Theft

You are in charge of the petty cash at the office. However, a co-worker is responsible for making a weekly trip to the bank to make the business deposit and obtain petty cash for the following week. In a conversation with your mutual supervisor, you are asked if the increase in the petty cash amount was enough. You, however, have not seen any additional money. You realize your co-worker has been pocketing the additional money. Do you:

- Tell your supervisor you have neither asked for nor received any additional petty cash and that you suspect your co-worker is pocketing the money?
- Tell your co-worker your suspicions and give them a chance to pay the money back?
- Say nothing and just wait to see what happens?

Reward a Job Well Done

You understand the importance of team work in your job. You share ideas and responsibilities with your team members on a daily basis. In your weekly team meeting with your supervisor, one of your co-workers takes credit for a time and money saving change in operating procedures you devised. Your supervisor erroneously thinks your co-worker came up with the change and your co-worker does not correct the misinterpretation, but allows the boss to not only commend him, but offer a bonus. Do you go to your co-worker and demand he correct the situation, go to your supervisor and explain you should receive the commendation and reward, or keep quiet as you do not believe in ownership of ideas?"

Source: 28 Top Moral Dilemma Questions [+ Scenarios & Examples], May 20, 2020

Excerpts from “16 Real-Life Examples of Ethical Dilemmas”

Reporting an accident

Many of us have been involved in situations where we scratch another car on the way out of a tight spot in a parking area. The ethical question is whether to inform the owner of the car and, if so, how to do it… the way we react may depend on whether anyone was watching… Some people may be tempted to simply leave and avoid the hassle of reporting the incident… Let’s change the facts now and you think someone may have witnessed the incident… Still not sure what you would do? Imagine that your child is in the car. She is aware that you scratched the other car… Would that change what you would do?... **Doing the right thing is not relative to the situation but is based on the ethical standards of honesty, integrity, and, in the case of the car accident, personal responsibility…** A good way to check your behavior before acting is to ask how you would feel if your action was discussed on social media. Would you be proud to defend it?... The moral of the story is ethics is easier said than done.

Ghosting in the workplace

Consider the following facts. You are interviewing for a job. You’ve gone through interviews at five companies and are anxiously awaiting the responses. You get your first offer and verbally commit to taking the job. You will not start to work for another two weeks. Shortly after accepting the first offer, a second one comes in. It’s the better of the two offers and from your preferred employer… many people in this situation might take a more self-interested position and bow out of the first offer and accept the second. There’s nothing wrong with accepting the second offer as long as your reasons are explained to the first employer… In many cases, such as this, it’s not so much what your decision is but how you explain it that counts… You have a responsibility to inform the first employer because it made an offer, held a position open for you, and will need to fill it once informed of your decision… Ghosting the first employer is a selfish act. You are doing what is easiest not what is ethically appropriate.

Doctoring the Résumé--Case Study… "Dr. Mary Parker, executive director of the State Children's Research Consortium (SCRC), was sitting in front of her computer screen when she made a shocking discovery. She was aimlessly surfing the Internet in her office between meetings, at this particular moment, seeing what new posts of interest were made on Facebook… If what she read on this one particular posting about her most valuable staff member was true, she would rather pack up her briefcase, go home, and hide under the covers for at least a week… One of the best decisions she had made, she had thought, was hiring Harry Hauser as the Director of Research. Dr. Hauser was amazing, and his commitment to the mission of the Consortium was unquestionable… Dr. Hauser was, according to the [Facebook] post, Mr. Hauser… Harry's contributions to the organization went beyond his research talents and his ability to attract outside funding from grantors. He was a model employee. Mary considered him to be a personal friend… She decided to confront Harry directly, to simply press his intercom button and ask that he come to her office… 'Sit down, Harry.'… 'I just learned that you may not really have a Ph.D. from Princeton. If this is true, I haven't given much thought to what should be done about this, but I wanted to hear directly from you whether this was true or not.'… 'It's true,' he admitted... 'I appreciate your honesty,' Mary shared. 'I don't know how to respond, but there are issues here that I have to think through, such as who should be aware of this, and what authority I have to make the decision. So, give me the rest of the week to sort through this, and I'll meet with you to decide how we will address this.'"

Continued

Source: The New Social Worker

Doctoring the Résumé--Case Study… "Discussion Questions: …

- What boundaries should there be between the personal and professional lives of staff members of a nonprofit organization? Should an executive director encourage or discourage staff to share time away from the office?
- Should Hauser be fired simply because he misrepresented his credentials when he was hired, or are there other ways to discipline him while keeping him in the organization?
- How might this development affect the credibility of the research he has already completed for the foundations and government agencies that commissioned his research?
- Should Dr. Parker inform the funders of Dr. Hauser's past research that he lied about his credentials?
- If Dr. Parker does fire him, does she have an obligation to tell funders who are expecting Hauser to be the senior project director for several major current grants?
- If she does choose to fire him, what obligation does she have to disclose to future employees that he had misrepresented his credentials?
- How much time is "permissible" for workers to do personal things such as surfing the Internet during work hours without being disciplined?
- Was Dr. Parker's strategy for dealing with her initial confrontation with Hauser a good one? How else could she have approached this?"

Source: The New Social Worker

How much say should donors get on strategy?... "Affordable Housing for All is a regional nonprofit that works to provide low-income families with housing options. It is one year into its new expansion strategy... selected based on both need and feasibility. A donor approached the Executive Director, Lisa, with the intention of supporting the nonprofit's expansion at a very significant level. But the support comes with a demand; they must also expand their services to a town nearby, but outside of the expansion plan… the funds would be more than enough to cover the additional cost and would also help support the nonprofit's current expansion plan. Also, the nonprofit would be providing a beneficial service to the additional community, even if it wasn't the nonprofit's original plan… Lisa is concerned that allowing donors to set the strategic priorities of the nonprofit is dangerous and sets a bad precedent. She is also concerned that taking on the additional area could compromise their effectiveness in the other communities. Should Lisa take the donation?"

Source: Follow the Money – Markkula Center for Applied Ethics, September 13, 2016

An Anonymous Benefactor for a Homeless Shelter… "You are one of five staff members at a nonprofit organization that offers shelter to families with young children… You receive a call from a donor who tells you her name but urgently asks to remain anonymous for the purposes of any notes or logs you create. She wishes to remain anonymous because she has been recently implicated in a corporate embezzlement scam, and a trial is pending. The alleged corporate embezzlement scam took place overseas, and has been covered in the global business press for months. You recognize her name from the coverage… A gift of this size has never been offered to the shelter before, and would make a huge difference in the number of families served and the working conditions for staff members. She only asks that you never reveal her name, because she does not want her name associated with the gift.

- Given that the embezzlement happened in a different country and was not about housing, does the donor's involvement in that scandal matter?
- If the identity of the donor were one day revealed, would you use the same justification for your decision as if the donor remained anonymous?
- Should nonprofit organizations accept gifts on the condition of anonymity?"

Source: Markkula Center for Applied Ethics, March 19, 2020

Reporting Financial Misconduct at Uncommon Agenda--Case Study… "Jack was the IT Director for Uncommon Agenda, a nonprofit, 501(c)(4) tax-exempt advocacy organization… Jack had received a call on the office intercom system from Steve Pearson, the Vice President for Operations, about a problem he was having accessing his e-mail. Steve was a… colleague, as well as a personal friend from Jack's grad school days… Jack had begun troubleshooting…and came across… e-mails that were caught in the network's spam filter… Clicking on one of several addressed to Steve... it appeared to be… a confirmation of a bank transfer… of $8,000 from an account belonging to Uncommon Agenda to a numbered account… in Switzerland… he searched in the database of archived organization e-mails and looked at more e-mails to Steve. For each of the previous four weeks… there was a receipt from this bank for $8,000 of funds transferred out of an account in the name of Uncommon Agenda under the total control of Steve, to the numbered account… what should he do with this information, Steve was his best friend in Washington?"

Continued

Source: The New Social Worker, April 14, 2013

PragerMetis

Uncommon Agenda--Case Study, Continued… “Among the … options he considered:

- Confront Steve, and simply demand that he stop embezzling, quietly make restitution, or risk being turned in to the authorities.
- Confront Steve, and convince him to come forward to the organization voluntarily and admit what he was doing, leaving Jack out of this.
- Take the matter to the organization’s CEO and CFO without informing Steve.
- Take the matter to the law enforcement authorities without informing Steve.
- Let someone know about this within the organization anonymously.
- Seek advice from a third party, such as a friend or attorney, before taking any action.

Source: The New Social Worker, April 14, 2013

What Would You Do? Ethics Ain't Easy ... "Now, just in case you're feeling very virtuous because you *know* you'd always make the ethical choice in those cases, ask yourself:

Have You Ever…

. . . lied to your mother? your boss? the IRS?
. . . lied so you wouldn't hurt someone's feelings?
. . . lied to get out of a business or social engagement?
. . . taken a questionable deduction on your income tax?
. . . fudged figures on a report to make the results look better?
. . . taken a sick day when you weren't sick?
. . . lied to a customer ('we sent your order yesterday') or creditor ('the check's in the mail')?
. . . cut corners on quality control?
. . . blamed someone else for something you knew you were partly responsible for?
. . . used any of these phrases: 'Everybody does it,' 'It's the lesser of two evils,' 'It's only a little white lie,' 'It doesn't hurt anyone,' 'Who will know?'
. . . put inappropriate pressure on others?

In the real world, ethics ain't easy. Somehow we need to come up with a way of looking at even the most complicated situations and evaluating them with an eye to what's right—not what will cause the least trouble. We need a basis upon which to build the kind of success that feels good because we know what we're doing represents us at our best."

Source: Corporate Compliance Insights, April 5, 2017

Thank You

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