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## Ethical Relationships: The Value of an Outside Perspective

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***Your organization needs to build fundraising capacity or get ready for an upcoming capital campaign. As a next step, your board of directors asks staff to assess and evaluate the current state of your development program. Yet when it comes to moving from principle to practice, will staff and board members be equipped to identify and address real or potential ethical violations?***

Despite the best of intentions and regular programming offered by AFP and others about ethics, the challenges are often unique, complicated, and nuanced. While an internal review might save some money, it can miss essential information that affects fundraising success.

Enter an outside advisor—a consultant—who can build trusted relationships with insiders who may be unaware of, or reticent to bring up, ethical considerations. Fundraising consultants who abide by an ethical code can help nonprofits identify, address, or avoid ethical issues. Most will include an ethical “check-up” as part of their services, and that can make all the difference for the future of your organization.

Here are a few scenarios that show how an outside perspective could help:

### Misrepresented Financial Health

A colleague was working on a comprehensive campaign for scholarships and buildings for a college. During the review, he learned that publicly distributed financials included endowment income drawn for current operations. However, there was no note that the board had to approve these draws. This misrepresented the financial health of the institution and could have misled donors. He raised the issue with the board and senior staff of the college and provided options for presenting their finances clearly. This generated some significant discussion among the board members about how and when they should use endowed funds; that they were not there to fill a budget gap, but to meet donor-intended goals.

## Family Members Benefiting from Pledge

A different consulting firm was advising a client who received a multi-year pledge from a donor. The donor clearly stated that he expected his immediate family members to continue benefiting from the organization's work during the pledge payment period. The staff and board knew this condition was out of bounds but were not sure how to raise the issue with the donor. The goal was to help the donor understand the importance of separating financial support for the organization's mission from services that family members could receive. The consultants served as a sounding board to talk through the pros and cons of different approaches, which helped the client navigate through a tough situation and solidify the relationship with a major donor.

## Percentage-Based Compensation

A third colleague was working with a professional association of business owners. To increase the pool of candidates for a CEO, board members wanted to offer compensation based on a percentage of funds raised. This group had little to no experience with philanthropic fundraising and did not understand why percentage-based compensation, which is common in their industry, is not appropriate for nonprofits. The consultant led them through an exercise that showed how the dangers of self-interest can quickly conflict with donor interests and organizational needs.

These are only a few examples of ethical issues that qualified consultants to nonprofit organizations could find through careful study as objective outsiders. However, if your nonprofit is considering outside help, be sure to look for consultants who are members of a professional association that has a code of ethics (such as the Association of Philanthropic Counsel (APC) and the Giving Institute), who are members of AFP, and/or who hold the CFRE designation.

Today's fundraising landscape demands that nonprofit leaders demonstrate professionalism, embody integrity, convey transparency, and embrace complexity. As their partners, fundraising consultants can help navigate this landscape under the highest ethical standards of the field.

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