DMA Nonprofit Federation

DMANF Ethics Committee

CRISIS RESPONSE TOOLKIT

Your "first responders" must have the talking points they need to respond quickly and appropriately.

+ PART 1: Setting up your communications response team

Responding to an unflattering news story about your group or a group in your sector involves more than posting a message on your website FAQ or distributing a press release. You need to make sure that your development team and "first responders" – call center, member support, and social media teams – have the talking points they need to respond quickly and appropriately to donors and the public. And remember: responses are not one-size-fits all. You need one response for the web, one for social media (the shorter and more direct the better), one for email and one for the phones. Donors will find the channel of their choice to seek answers to their questions. It's your job to meet them where they are. Don't expect every donor to find the press release buried on your website.

But, before we get into some specific, evergreen issues, we need to map out who needs to be at the table when forming a response. This isn't to add more red tape! Having everyone involved from the start may avoid issues down the line.

- First things first: make sure development has a seat at the table in developing the messaging around any crisis communication so the messaging, or at least talking points, are donor-appropriate.
- Send your front-line responders the talking points they need – even if this is as simple as a directive to tell the caller they will have to get back to them with more information. It's not the ideal response, but for donors or the public who call by phone, it gives the front desk some control over the situation.
- Do you have an outbound TM campaign underway? What about TV ads, or a radio campaign? Make sure those call centers also receive talking points – to be used only as needed – should a donor engage them in a conversation about the issue while on a call.
- Rankings-related issue in your sector? Have you looked at your own rankings on charity "watchdogs" lately? What about the comments on those pages? Who is monitoring those sites for you? Does your media or social media team have any tools that help them monitor chatter on different sites? Understanding what people are saying – and any common misconceptions – about you or your sector gives you a helpful starting point in crafting your response.

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- Speaking of social media: is your social team keeping your member support staff – and development at large – involved in issues and questions relevant to them, or are they handling them as they arise?
- Get positive: not every response has to be defensive. Keep talking about the great work you are doing and the values that guide your mission and programs.
- Thank your donors for calling and for being concerned enough to do so. Every call or interaction is a chance to thank them for their support – remind them of all the good work their generosity has helped to fund.

+ PART 2: CEO salary

When it comes to nonprofit worker compensation it often seems there are two camps: one that believes that nonprofits are or should be staffed exclusively by well-meaning volunteers, and another that sees any compensation as directly stealing resources from program beneficiaries. Lost in the noise are facts and reason.

While many organizations have humble beginnings, started and staffed by volunteer hours or with the generosity of one large patron supporting ongoing costs, expecting an organization to run on volunteer time or from a wholly unpaid staff is simply unsustainable over the long term. Because their missions are so important, nonprofits need qualified, energetic, and visionary leadership. Nonprofit CEOS have an enormous responsibility: ensuring that they forward their respective missions to benefit society at large. Whether they oversee organizations providing direct care, animal welfare, advocating for social change, environmental protection or any other number of important issues, nonprofit CEOs are held accountable for not only the success of their particular organization *but the success or failure of a movement.*

To attract and retain qualified leadership, nonprofits need to offer compensation commensurate with those high expectations. Salary should be in line with the overall size of the organization's budget. There seems to be donor tolerance for higher salaries in certain sectors so it's worth looking up others in your sector to get an idea of how your numbers stack up, since most donors support several organizations.

Be up-front with donors about CEO salary while also explaining how the salary of the CEO (or any other executive) compares to the overall budget and programmatic expenses. Your fundraisers should also be clear about the accomplishments of their leadership: has the CEO ushered in a new wave of growth, increased fundraising dollars, expanded program services or forged new alliances? Be clear about what the organization values most; hopefully, that's impact!

One DMA member organization has used the following language to answer the salary question:

> *(CEO name) came to our organization at a reduced salary set by our Board of Directors and members of the board continually evaluate his performance and, based on that, have adjusted his salary from time to time. I assure you that (CEO name's) compensation is not at all out of line with his leadership qualities or in comparison to similarly sized organizations of our nonprofit sector.*
>
> *Salaried professionals employed by our organization have the necessary education, background, qualifications and management experience required to properly and efficiently run our organization. In order to fulfill the goals of our mission, we must remain competitive in the job market to attract the very best people in our specialized field. It is for this reason ...that we have experienced such tremendous growth to become the largest international charity in the USA (source).*

Or, if you are comfortable using names, you could also cite other salaries from public sources, like the CEO Compensation Study. Just make sure to look for organizations with similar sized revenues and expenses, within your sector, whenever possible.

Finally, consider where donor concerns might be originating. Have there been recent stories in your area about a bad actor operating telemarketing scams, or who used foundation money to afford an extravagant

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lifestyle? There's a huge difference between compensating leadership and talent in the organization and outright embezzlement, and they should not be conflated. There is also a big difference between someone putting in a few hours every month to volunteer for a local organization and doing it professionally as a career. This is not to downplay the value of volunteers – many nonprofits rely heavily on their volunteers to staff parts of their programs – but expecting someone to do it full time, for an unlivable wage, is either expecting all your employee volunteers to have trust funds or issuing an invitation for financial misconduct.

The above organization's donor letter continued with this well-worded piece:

> *I cannot in any way tell our donors how to feel or where to place their valuable resources, but as "there are at least two sides to every story," I felt it important to give you our side.*

+ PART 3: Fundraising expenses

No fundraising, no programs. Fundraising costs are necessary to sustain a nonprofit organization. Under investing may result in poor performance and sustainability. Fundraising doesn't wear simply one hat, and solicitations are often the main source of information and education for donors and the actual program work.

Development operations are intended to build relationships with people who in many cases will be supporters for years and years. As with all expenditures, we thoroughly examine fundraising expenses to make sure that we are spending our resources in the best manner possible – strategically in order to meet our goals and effectively by looking at the return on investment. In order to have a financially healthy nonprofit organization, we invest in fundraising programs. Not all fundraising efforts bring in enough income to cover the expense of the project, and that is done with deliberate attention. Those efforts are carefully reviewed, to ensure that those investments are paid back within a reasonable amount of time. By engaging with more people who want to support our organization, we are able to raise more funds that support our mission.

When explaining fundraising costs, it is important to relate them to program expenses: program costs should be, by far, the bigger expense and those fundraising expenses help raise the money the program needs! One simply cannot exist without the other. Assure the donor that financial resources are being used in an efficient and effective manner with full accountability.

If your expenses have risen over time, describe how programs have grown and changed as well. If as an organization you went from regional to national impact, explain how those additional investments and expenses helped to expand the mission. Communicate program goals and essential costs associated with them. Were you working for a small initiative that over the past decade has become a mature, established organization? Did the founder leave, and new leadership had to be recruited? A conversation about expenses can't take place in a vacuum, but a donor probably won't know all the history.

Often a donor has issues with using funds for a certain method of fundraising, so offer to help manage their communication preferences. If the issue is with the media and painting an entire channel poorly, like a state report on telemarketing, take a look at what the funds raised in that channel helped to do over time, especially as the more expensive investment channels often have an ROI beyond the current fiscal year. Demonstrating the return on dollars spent can help underscore for a donor that their funds are being used strategically.

Fundraising expenses can be very complicated and confusing to donors, so ethical practices and transparency should be a guiding principle for any nonprofit organization.

+ PART 4: Joint costs

For many larger organizations, you can't talk about fundraising expenses without, in the same breath, talking about joint cost allocations (JCA). JCA is a recognized part of accounting principles that allows a nonprofit to allocate part of their solicitation expenses towards education. JCA has a long history and strict guidelines (see related article in the last issue), and

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requires that finance and development work closely to ensure accurate and fair reporting. For those who do employ JCA, the expenses re-classed as program may add up as your program and acquisition channels expand and grow. JCA may be used for mail, telemarketing scripts, emails, and even TV spots (break out your stop-watch for that one).

JCA has been more contentious than one might think, for an accepted accounting practice. It is not consistently measured across nonprofit ratings agencies, contributing to disconnect between a nonprofit's own 990 and the financials on some ratings websites.

The BBB Wise Giving Alliance accepts joint cost allocations, and in the 2013 Spring Issue of their *Wise Giving Guide* outlined their acceptance of joint cost and the appropriate conditions for implementing it. At the time of this issue, BBB WGA stated that 21% of their listed charities used joint cost allocation. You may see the full issue at: http://give.org/globalassets/wga/wise-giving-guides/spring-2013-guide-article.pdf.

Fast forward three years and at the DMANF conference in February of 2016, DMANF membership and Charity Navigator were at an impasse on JCA, with Charity Navigator stating that they would report financials without taking JCA into account.

When Charity Navigator rolled out version 2.1 in July, several organizations found themselves downgraded due to changes in the weight of various criteria. Among them was the ASPCA, downgraded from a 3 stars to 2 stars as the revenue growth criteria was no longer valued. Although program expenses grew year over year, when JCA was removed the organization found themselves 3 points shy of their former rating.

ASPCA reached out to Charity Navigator and developed the following language that disclosed JCA:

> *The American Society for the Prevention of Cruelty to Animals (ASPCA) is committed to efficiency and transparency. We communicate with our members, supporters, prospects and donors by postal mail and other means, both to request contributions to our cause, and to educate the public about various animal welfare issues around the country. These efforts help advance our mission to provide effective means for the prevention of cruelty to animals throughout the United States.* ***As a result, in accordance with the Financial Accounting Standards Board (FASB) guidelines and Internal Revenue Service (IRS) guidance, the ASPCA allocates a portion of our fundraising costs to program services.*** *As nonprofit organization that is exempt from federal taxation, we ensure our donors' money is spent on helping animals across the country as efficiently and effectively as possible. (Ed note: emphasis added)*

You can see the placement of this disclosure here: http://www.aspca.org/about-us/annual-report.

Another example of acceptable JCA language would be the following:

> *For nearly 50 years, *redacted* has relied on direct mail to recruit and maintain the large Membership we have. . . Additionally, direct mail is used to maintain our subscriber base in our award winning publications. This is one of our primary mission statements. We communicate by postal mail – and other channels – not only to generate income and maintain our membership base, but to educate the public thereby advancing our mission. As a result, in accordance with the Financial Accounting Standards Board (FASB) guidelines, we allocate a portion of our direct mail costs to program services and to fundraising.*

After also updating their privacy policy to join online and offline policies in one place on their website, the ASPCA was reinstated to a 3 star rating.

Some common ground has been found. Charity Navigator has now agreed to use the joint cost numbers as reported on tax returns for organizations who make clear that they use JCA in their financial statements.

You can read Charity Navigator's updated statement on JCA on their website: https://www.charitynavigator.org/index.cfm?bay=content.view&cpid=4455.

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+ PART 5: Working with watchdogs

Unlike the standards applied to joint costs, charity ranking has no one gold standard. Though it would be helpful if there was someone who could tell you which nonprofit organizations are "good" and worth donating to, it's just not that easy. There are so many factors to consider, and all the various agencies who try to do this have different ways to rate and judge nonprofits.

Some agencies are not entirely transparent with how they evaluate charities, so as a consumer, you don't know what areas they are focused on and how they are balancing all the various ways to review. There may be conflicts of interest as well that are not evident when a donor is looking at charity ratings.

In part because of this lack of consistency, some organizations have made the choice to disengage with ratings groups. However, you should consider managing your rating – it is, after all, your brand and your information. Find your contact at various rating agencies, or pick two that you will actively engage.

Charity Navigator allows each nonprofit one official representative, who registers with them and may update information that is then reviewed by their respective analyst at Charity Navigator. Representatives may post a comment about their rating on the official public site, and reach out if there are updates outside of the normal 990 filing period. You may find more information on how to become a representative of your nonprofit at: http://thehelm.charitynavigator.org.

The BBB Wise Giving Alliance (BBB WGA) has a different approach. Bennett Weiner, their Chief Operating Officer, points out that BBB WGA created their standards for charity accountability with input from charities, foundations, fundraising professionals, and others. BBB WGA also "accepts joint cost allocations as long as the organization is following generally accepted accounting rules." For financial ratios, the BBB WGA also has its own guidelines and standards: "In terms of the charity financial ratios, another key distinction is that the BBB Charity Standards that incorporate ratios are *threshold* percentages. In other words, as long as a charity meets them, if the charity spends less on fundraising or more on program service expenses than the designated thresholds that does not change our report findings. In contrast, spending less on fundraising or more on program services impacts the grade one receives form the other watchdogs you mentioned. In addition, BBB WGA also considers extenuating circumstances in applying the financial ratio standards."

So, you've chosen your sites and your information is as accurate as possible. You should still periodically monitor the comment threads on your page on these sites and see what the public is saying. Are donors expressing concern about a particular line item on the rankings or your program overall? This can be a good starting point for building and prioritizing your talking points and response.

Understanding the history of your rankings also helps. What changes has the ranking agency made to their metrics, and how does that line up with your work and expenses? Did your group have a massive emergency response that drove up program expense one year, only to cut back the next? Did you make significant investments in donor acquisition for long term growth? All of these things help give nuance to otherwise flat rankings. Ultimately, a donor wants to know that their money is making a difference towards the mission, so don't hold back in sharing details. The more direct and transparent you are, the less weight a ranking has.

Engage your media and social teams in monitoring online chatter around rankings. Check out the message threads and make sure you are monitoring posts on your social sites regarding a negative story, thread, or ranking. Often times chatter around these topics will arise on social first, and a quick, succinct response or personal message to a donor online may save time down the road.

But consider not flaunting your ranking, even if it's great. Don't rely on stars or badges to make the case for you. I know you tested that carrier and it boosted response. Test into another one, because one day you might just have to do so. ■

The DMA Nonprofit Federation of the Data & Marketing Association protects & defends nonprofit fundraising across marketing channels to advance responsible data-driven fundraising & marketing.

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