

McLean, Koehler, Sparks & Hammond

Certified Public Accountants/Business Consultants

Nonprofit Organizations

Manage your donor lists wisely, ethically

Nonprofit organizations face the challenge of effectively promoting their mission and goals to the largest possible audience while managing ever-tightening budget constraints.



As a result, many organizations seek to raise additional funds by selling the names of donors to marketing organizations or by swapping mailing lists with other nonprofits.

Although it is legal for nonprofit organizations to share a donor's personal information with other groups, the lack of donor privacy is a growing concern.

Donors find that a small donation to one charity is often followed by solicitations from a host of similar charitable groups.

More than 58 million American households have joined the federal "Do Not Call Registry," and this has complicated matters for nonprofits – at least in terms of potential donor perception if not in terms of legal culpability. The First Amendment protects nonprofits with an exemption from do-not-call lists, but donors often fail to differentiate between commercial telemarketing and

charitable solicitations.

As a result, Congress is considering a change in the federal registry to include nonprofits. To date, telemarketers and nonprofits have largely succeeded in blocking the expansion, but time may be running out.

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Establish a privacy policy

Charity Navigator, an organization that analyzes the financial soundness of nonprofit organizations, recently conducted a survey of 3,300 organizations and found that only 18 percent have a donor privacy policy in place.

Results showed that approximately 7 percent of the organizations surveyed reserved the right to sell or swap donor names, but this statistic may be appreciably understated since most respondents did not want the public to know they sell or swap donor information.

The key to credibility is to make a policy, publicize it and stick to it. A common practice for many nonprofits is to adopt a policy not to sell donor information and instead swap names with other like-minded organizations through mail-list brokers. This policy may allow you to identify potential new donors without the pitfalls and perception problems associated with selling your lists.

Another consumer-friendly approach is to have donors opt in if they are willing to have their names and addresses shared with other groups. At the very least, nonprofits should consider a privacy policy that requires donors to opt out if they don't want their personal information shared.

Your organization will benefit by implementing and promoting a specific privacy policy. After all, you are not merely looking to use your donor list for short-term gain but also to build long-term, mutually beneficial relationships with your donors and supporters.

Decide whether to telemarket or not

It is one thing to bolster income by selling your donor lists to other nonprofits, but beware of the growing trend of selling donor lists to for-profit telemarketing firms.

In fact, some nonprofits secretly hire telemarketers to raise funds on their behalf – a practice that is controversial because telemarketers often keep the lion's share of the money they raise in the name of the charity.

According to a recent Supreme Court case (*Madigan v. Telemarketing Associates*), it is legal for fundraisers to retain nearly all the money raised as long as they don't falsely claim that a larger portion of contributions is going to the charity. Disreputable telemarketers avoid getting into trouble with the law by simply not stating what portion of a donor's money goes to the charity.

No one knows how many nonprofits use for-profit telemarketers. But the trend has many watchdogs calling for legislation to curb telemarketers or to demand that they disclose how much is actually going to the charity.

Tips to help manage your donor lists

- Establish and publish your privacy policy. Will you sell or share your lists? If so, to whom?
- Establish an opt-in or opt-out option for your donors. Give them the choice to allow their name to be shared.
- View your donors not only as short-term contributors but also as long-term supporters of your organization.
- Use for-profit telemarketers cautiously, and ensure that they follow your privacy policy.

Clearly disclose how much money will be used for your mission and how much goes to telemarketing and administration costs.

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