

5 Game Changing Lessons Charities Learned During an Eventful 2012

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Beware of Founder's Syndrome

Some high-profile charity founders landed their nonprofit creations in all kinds of trouble last year, reminding boards of the pitfalls of tying a group's public image too closely with one person. Most troubling was evidence that Jerry Sandusky, the former Pennsylvania State University assistant football coach and now-convicted sex offender, used the Second Mile, the children's charity he started in the 1970s, to gain access to victims. The cyclist Lance Armstrong was forced to cut ties to his cancer group, Livestrong, after the release of a report accusing him of leading a doping conspiracy among teammates. The Central Asia Institute said in July that it was expanding its board by seven people, part of a settlement over charges that its founder, Greg Mortenson, used the group to sell his books and support other personal expenses.

Be Scrupulous In Determining the Value of Donated Goods

Nonprofits continued to face questions from regulators and the news media about the ways they value and account for donated medicines and other noncash items. Some charities have been accused of masking high fundraising and administrative costs and salaries by pumping up the value of donated goods. In January, the Internal Revenue Service proposed a fine against Food for the Hungry, alleging that the nonprofit purposely misled donors in 2008 about its revenue from deworming pills. The charity is contesting the charges.

Don't Count on Today's Charitable-Deduction Rules

Washington's drawn-out budget wrangles offered evidence that the charitable-deduction rules are no longer untouchable. Nonprofit leaders waged an intense campaign to preserve the tax break, but both President Obama and Republicans in Congress floated ideas for reining it in as a way to raise revenue for strained government coffers. Now that Congress plans a comprehensive tax-code overhaul, charities will spend much of 2013 trying to preserve incentives they say make a difference to donors, and fundraisers may face a tougher time appealing to the affluent.

Fundraising Will Take Years to Return to Pre-Recession Levels

In past downturns, charitable giving bounced back soon after the economy started to recover. But after 2012's sluggish pace of donations, some fundraisers and scholars started predicting that charities won't return anytime soon to the years of 10-percent or greater growth in donations that many reported in the 1990s. Patrick Rooney, head of the Indiana University Center on Philanthropy, says it might take until 2022 for charitable giving to recover to the levels it was before the recession began in 2007.

Keep Controversy at Bay: Know Your Donors

Susan G. Komen for the Cure has still not recovered from a controversy that erupted when news broke early last year that it planned to stop giving Planned Parenthood money for breast-screening services. Planned Parenthood, a lightning rod because it also performs abortions, rallied its supporters through social media and in other ways. The breast-cancer charity didn't anticipate such vigorous opposition and reversed its decision several days later—then angering its anti-abortion supporters. The toll: Many of its signature Race for the Cure events suffered losses, and its "brand health" dropped 21 percent, according to a Harris Interactive survey, the second-biggest drop in the survey's 23-year history.