CHAPTER 1

Board Leadership in Fundraising

"Act as if what you do makes a difference. It does."

—William James

After reading this chapter, you will be able to:

- Take a leadership role in fundraising.
- Build an effective fundraising board.
- Understand the board’s fiduciary role.

A Challenging Economic Environment

There are many financial challenges facing the nonprofit sector today. It is getting harder to predict where to find the resources that organizations need to sustain their operations and to grow. An ongoing environment of economic uncertainty has increased the demand for new sources of revenue. Financial planning, modeled on what used to be regular and predictable annual growth, has proven less and less reliable. Volatility is affecting markets and service providers.
For many nonprofits, almost every source of revenue is getting more difficult to maintain. There are perils in depending on earned revenue, which can decline in bad times, when the organization needs the money the most.

Endowments, meant to be a savings account for a rainy day, dropped with the falling markets a few years ago and are only slowly regaining their former value. Government grants, whether local, state, or federal, have dried up. Congressional earmarks have become unworkable in the current political environment of budget deficits and spending cuts.

There are even growing concerns that private philanthropy has been affected, perhaps over the long term, by the uncertain economic conditions.

The reports of weakness keep rolling in. In an article under the headline “Corporate Giving Slow to Recover as Economy Remains Shaky,” a survey of 180 companies from The Chronicle of Philanthropy finds that corporate gifts will remain flat in the coming year because of the bad economy.¹

Yet in the face of all of these financial challenges, nonprofit leaders report that their boards are not doing a good job in fundraising. (See the national survey results reported in the In the Real World box nearby.) Fundraising at the board level is the area most in need of improvement according to both executives and trustees.

The Board’s Leadership Role in Fundraising

It seems clear that nonprofit institutions must become more effective and more efficient at raising private funds to face the financial challenges ahead. But what is the best way to make an organization’s fundraising efforts more productive?

There are a number of actions that an organization could take in an attempt to improve fundraising results. Adding more advancement staff is a common response. The hope is that by hiring the best, most experienced fundraisers, the organization can implement new programs and find new donors.

This solution could work to a certain degree, but new fundraising staff often lacks the entrée to potential donors provided by board members. Staff are often more limited in their ability to influence wealthy donors to invest in a program or project than their peers or associates, who often have personal connections to those donors and who have made their own commitment to the organization.

Another option often pursued by boards is to delegate all the responsibility for fundraising to the board’s development committee, increasing the pressure on a few board members to do all the work. Exerting more pressure on the executive director to get out and raise money is also a common response. Both of these alternatives increase the risk of burnout for board members and CEOs, leading to blame for poor results being placed on a small number of overwhelmed individuals. And implementing these options will only provide a partial solution to the need for enhanced resources.

In the Real World

Fundraising Needs the Most Improvement

A recent national survey showed that both executive directors and board members rated fundraising as the area most in need of improvement among all the responsibilities that board members are asked to take on.

The survey comes from The 2010 Nonprofit Governance Index, an annual report produced by BoardSource, an organization based in Washington, DC, that focuses on improving nonprofit boards.

The survey reports that 53 percent of executive directors see fundraising as the number one most important area for board improvement. Board members surveyed felt just as strongly—54 percent of board members rated fundraising as the area most in need of improvement.

As reported in Eric Frazier, “Trustees Don’t Do Well in Fundraising or Promoting Diversity, CEO’s Say,” The Chronicle of Philanthropy, November 1, 2010.
The best way to increase productivity in fundraising is to build an outstanding fundraising team that involves every board member in the important work of resource development.

Beyond “Give or Get”

Effective fundraising requires an effective team. The strong team includes three components: board, executive leadership, and fundraising staff (referred to here as advancement staff or development staff).

The role of the board is the most critical because the board by definition provides leadership for the organization. All the members of the board, in coordination with the executive director/CEO and the advancement staff, must develop into a strong, well-coordinated team for the nonprofit to excel at fundraising.

Board members traditionally have been told to “give or get,” which means they either make their own gifts or help to solicit others. The strongest fundraising boards, however, are those that encourage their members to do more than just give and get. There are many ways that board members can participate in and provide leadership for fundraising efforts.

Rules of the Road

The key to more productive fundraising is for the entire board to commit to taking on an active, leadership role in fundraising.
There are four key strategic reasons why all board members should commit to taking on an active, leadership role in fundraising:

1. **The board has fiduciary responsibility for the organization.**
   
The board is ultimately responsible for seeing that the organization has the resources it needs to meet its mission. In the great majority of nonprofits, this means that the organization must raise additional funds from outside sources to ensure that the appropriate resources are available. The board must be actively involved as part of the team to identify those resources and help to secure them.

2. **The board has oversight of all fundraising programs and operations.**
   
   Board members, whether through the development committee or as members of the full board, must approve fundraising projects, goals, and time lines; they must ensure that fundraising dollars are raised in an ethical and responsible manner; and they must see that the financial goals of the organization are synchronized with its overall mission and goals.

3. **The board sets the pace for fundraising through their own giving.**
   
   Board members show their commitment to the organization by making their own gifts first. Board members should give at a level that is consistent with their financial capability. Many funders, especially foundations, ask for participation rates and levels of giving from the entire board when making their decision about whether to support a nonprofit. A strong commitment from the board in giving helps to convince other donors that the leadership group is committed to the organization’s mission and to success in reaching its goals.

4. **The board sets the tone for the broader community’s view of the nonprofit.**
   
   Board members’ level of commitment, engagement in, and passion for the work of the organization are major factors in attracting others who have the means to support the organization. One of the most visible ways for board members to show their support is to make their own gift, then participate in asking others to give. The level of passion for the cause
shown by board members exerts a powerful influence on other donors across the community.

The chair of the board, the executive board leadership, and the relevant committee chairs must all commit to excellence and participation in fundraising and call for the entire board to do the same. This commitment should start with the board chair and the executive committee and be transmitted out to the full board. A call for commitment from the chief advancement officer (CAO) does not carry the same weight.

When the entire board, the executive director, and the advancement staff are operating at peak performance, incredible things can happen. Goals that seemed unreachable can be met. External roadblocks, including a weak economy, can be overcome. The services provided by the nonprofit can experience tremendous leaps forward.

Ultimately, it is the clients, users, patients, students, and visitors—those who make use of the organization’s services—who will be the beneficiaries of great board fundraising leadership. (See Exhibit 1.1.)

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**EXHIBIT 1.1**

**Rating Your Board’s Fundraising Leadership Quotient: Does Your Board Have It?**

Take this test to determine your board’s fundraising leadership quotient. Answer each question with a number from 1 to 3 based on the following scale:

3 = Yes, everyone, always
2 = Maybe, some people, sometimes
1 = Not really, not many people, not often

1. Do you think it is your role as a board member to help the organization secure the resources it needs to meet its mission?
2. Does your board have a policy that everyone must make an annual gift?
3. Does your organization explain giving expectations and fundraising responsibilities to new board members when they are being recruited?
The Board's Leadership Role in Fundraising

<table>
<thead>
<tr>
<th>Question</th>
<th>Score Range</th>
<th>Result Description</th>
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<tbody>
<tr>
<td>Does your board play an active role in setting fundraising goals, selecting projects for fundraising, and meeting fundraising goals and timelines?</td>
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<td>Does your organization have a board solicitation plan in which board members ask fellow board members to make their gifts (peers asking peers)?</td>
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<td>Have you and your fellow board members been asked to make a gift to the organization’s current campaign (over and above an annual fund gift)?</td>
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<td>Have you and all your fellow board members been asked to review prospect lists and help open doors for fundraising calls?</td>
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<td>Are you as a board member offered training in how to present the case for giving to a potential donor?</td>
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<tr>
<td>Do you and your fellow board members make calls on prospects to solicit gifts (either individually or as members of a team)?</td>
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If you scored from 24 to 27 . . . Your board has an A to A+ Fundraising Leadership Quotient! Keep it up!

If you scored from 20 to 23 . . . Your board has a B to B+ Fundraising Leadership Quotient. There is more work to do to get everyone on your board to embrace their true fundraising potential, but you are on the right path.

If you scored from 15 to 19 . . . Your board has a C to C+ Fundraising Leadership Quotient. Your board needs a serious discussion about its role in furthering the goals of the organization. Consider bringing in a consultant to help with benchmarking and to provide an outside perspective.

If you scored 14 or below . . . Your board has a D or F for its Fundraising Leadership Quotient. It’s time to reconsider how your board approaches resource development. Reform may be needed across the board, from the nominations process to committee structure. You can be a catalyst in reorganizing and reenergizing your board through your own leadership and involvement.

Board leadership in fundraising is not an outcome that can be mandated through an executive order. It is the product of a combination of factors, from education to individual commitment, that all work together to create a successful model. Not surprisingly, it starts with building a board whose members are ready to accept their new role.
Building a Fundraising Board

The first rule of board leadership in fundraising is to make sure that all board members understand and accept the concept that resource development is the responsibility of each and every member of the board.

Don’t delegate all the responsibility to the usual suspects: the advancement staff, the executive director/CEO, the members of the development committee, or various fundraising committees and their chairs.

The advancement staff is there to provide structure, expertise, support, and to implement fundraising programs, but the board is there to lead, and it is their leadership that will inspire others to give.

In order to build an active fundraising board, the board leadership, the nominating committee, the executive director, and the staff who prepare the recruitment and orientation materials for new board members must be committed to this principle. It is not enough for the executive director (or even worse, the chief advancement officer) to get up at a board meeting and ask every board member to help out in development.

A real commitment to outreach and fundraising efforts must be clearly identified in the selection of new board nominees, in the job description for board members, in the discussion that takes place during board recruitment, and in the training that new members experience as they prepare to join the board.

Realize that not all board members are going to be equal in the fundraising arena. Not all board members are ready, willing, or even appropriate to send on a call to ask for a million dollars. But everyone can do something, and a positive attitude toward the development effort should be encouraged from the beginning of board service.

It is important to set an appropriate board policy on giving and fundraising. (See Exhibit 1.2.) The leaders of the board and of the nominating committee should support this policy in three ways: It should be discussed in the nominating committee process as a factor in the selection of potential board members; it should be discussed with the potential member during the recruitment process; and it should be delineated in writing as a responsibility of all board members in
board orientation materials and reviewed with new members during their orientation to the board.

**Recruiting the Fundraising Board**

There are many reasons for including specific individuals on a board, and some of them trump fundraising skills. Professional knowledge, familiarity with legal or financial issues, community representation, service in a governmental or private capacity that can be effective in furthering the mission of the organization; these are all good reasons to recruit and to keep board members who may not have a lot to offer in the development arena.

The members of the nominating committee should make a conscious decision, however, to include individuals who offer personal qualities or skill sets that would be useful in the development sector. These are some of the qualities to look for:

- Prior experience as a volunteer in asking for gifts.
- Knowledge of fundraising campaigns.

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**EXHIBIT 1.2 Sample of Board Policy on Giving and Fundraising**

All board members are expected to support the institution financially to the best of their ability, first through an annual gift, and if the organization is in a capital campaign, through a gift to the campaign. (Some nonprofits set a minimum gift level—this will depend on each board’s culture and membership constituencies.)

All board members are expected to assist in identifying potential sources of financial support, opening the door to introduce the institution to these prospective donors, and assisting with the solicitation of those sources to the extent that they are able.

All board members are expected to support the organization’s fundraising efforts by attending fundraising events, participating in fundraising programs, and assisting with community outreach to broaden the base of support for the organization across the community.
Board Leadership in Fundraising

- Access to a specific industry (e.g., mining, banking, or telecommunications).
- Access to a specific social or religious group.
- History of philanthropic giving (outside of this nonprofit).
- History of giving to this nonprofit.
- Passion and commitment to the cause (and ability to articulate this to others).
- Ability and willingness to tap new resources for giving.
- Willingness to expend time and energy on behalf of the organization.

Finding and recruiting board members with strong development skills has become a challenge for many nonprofits as volunteers have become less eager to give up their free time. See the nearby Tips and Techniques for some suggestions on ways to identify good people to build a strong fundraising board.

**Tips and Techniques**

Ideas for recruiting new members to help build a strong fundraising board:

- **Review the list of current donors** who have made a substantial commitment to your organization. Donors are often eager to join a board where they are already invested, and board participation may encourage them to give more.

- **Identify names of family foundation trustees and community foundation board members** who can either help secure gifts or who know those who are philanthropic in your community.

- **Look for representatives from key industries** in your community who can help introduce your organization to professional colleagues; examples might include industries like oil and gas, banking, tourism, or mining.

- **Be open to the next generation**: Invite younger people who show signs of potential leadership to join your board before they are tapped by others. Young people can bring new energy and new ideas to your board. They might even understand social networking and how to use it on behalf of your organization.
Building a Fundraising Board

- **Identify skilled fundraisers** in your community and ask them to join your board after they have completed their commitment to another project.
- **Identify volunteers** already working in your nonprofit (or in organizations that work in the same issues), especially those who volunteer in fundraising. Annual fund volunteers, for instance, can become strong board members who understand the need for fundraising and have already developed the requisite skills.

The past several decades have brought positive changes to board selection policies as boards have expanded their ideas about who should belong. Many boards have diversified to include young people, seniors, people of all races and ethnic backgrounds, and people of all wealth categories. An incredibly diverse array of nonprofits requires an incredibly diverse array of board members to provide oversight, hire professional leadership, ensure strategic planning, and execute fiduciary responsibility for their nonprofit of choice.

There are many considerations in developing a truly diverse board. Diversity in board recruitment affects fundraising because board members often make the case for support to their colleagues and peers in the community. A strong fundraising board is diverse in racial and ethnic background, but also considers geographic distribution, age, gender, religious affiliation, social circles, economic background, differing skills, and differing political viewpoints.

A truly heterogeneous board will operate more effectively in decision making and will be more successful in reaching out into the community on behalf of the organization than a board that is more homogeneous. This is particularly important in fundraising, where board members’ social and business networks are often the basis for community outreach and fundraising efforts. A diverse board will be more able to tap diverse sources of support, whatever the actual fundraising skills a specific board member might offer.

Recruiting to build a strong fundraising board requires long-term efforts at board development. Your organization may want to think about ways to try out potential members to evaluate their skills and develop their enthusiasm for your
organization’s cause. One common method of trying out future board members is to ask them to join a committee, where they can contribute right away to the organization’s activities. Another method is to create an advisory council, where potential future board members can become more educated about the organization and demonstrate their commitment.

**TALES FROM THE BOARDROOM**

What board members say about the donor who always wants to have the building named after him: He has an edifice complex.

**The Fiduciary Role of the Nonprofit Board**

This book seeks to engage you in your role as a board member in the development of resources for a cause that you already feel is important. This section is meant to help you become better informed about your legal and ethical role as a board member as it applies to fundraising.

Board service can be fun, thoughtful, demanding, productive, and rewarding, as well as time-consuming and exasperating. In recent years nonprofit board service has become more focused on legal and ethical concerns and how to improve transparency and accountability. Thus board membership has become both more productive and more challenging, especially when it comes to financial issues.

*The Handbook of Nonprofit Governance,* ² a comprehensive resource published by BoardSource, identifies three primary roles for the board as a whole:

- Setting organizational direction, including ensuring effective planning.
- Ensuring the necessary resources, both financial and human.
- Providing oversight of the chief executive, assets, and programs and services.

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Since nonprofits seldom generate enough money from revenues associated with their programs to meet their needs, most organizations find it necessary to seek charitable contributions. Thus fundraising becomes a board role when, in order to ensure the necessary resources, the organization must turn to fundraising to meet its needs.

The New Role of Boards in Ensuring Accountability

Board members are being asked to take on increased fiduciary responsibilities in response to an increased demand for accountability and transparency in the nonprofit world.

The Sarbanes-Oxley Act, passed by the U.S. Congress in 2002, was created in an attempt to curb practices in the business world that were seen as abusive. While most of the provisions of the act are not directly applicable to nonprofits, there are several exceptions,\(^3\) and some states have drawn up related regulations for nonprofits (e.g., the California Nonprofit Integrity Act of 2004).

*The Handbook of Nonprofit Governance* outlines some of the basic financial practices set out by Sarbanes-Oxley that many nonprofits now observe:

- “Having an audit committee of the board, preferably separate from the finance committee.
- Having at least one financial expert on the audit committee.
- Making the audit committee completely responsible for the relationship with the outside auditor (if one is used).
- Having both the chief financial officer and the chief executive publicly attest to the adequacy and effectiveness of the organization’s internal controls and the fairness of the presentation of its financial statements.”\(^4\)

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\(^3\)Exceptions include “prohibition of retaliation against whistle-blowers and prohibition of the alteration or destruction of documents that are relevant to a lawsuit or regulatory proceeding.”

*Handbook of Nonprofit Governance*, p. 152.

Sarbanes-Oxley has proven influential in the nonprofit sector, mainly because so many members of the for-profit business sector sit on nonprofit boards. There have also been a number of congressional hearings, many of them spearheaded by “watchdogs” such as Senator Grassley of Iowa, which have brought to light various inappropriate uses of funds by nonprofits.

Through these recurring scandals, issues of transparency and accountability in nonprofits have been elevated to the headlines of the national news media. The nonprofit sector’s use (or misuse) of funds has become a thread of common concern across society. See, for example, the report on the Fiesta Bowl in the box In the Real World nearby.

**IN THE REAL WORLD**

**Hanky Panky at the Fiesta Bowl**

An investigative report showed that Fiesta Bowl money was misspent on personal parties, outrageous gifts to staff, and trips to strip joints, while employees were reimbursed for making political contributions with sham bonus payments.

(The Fiesta Bowl, like many sports events, including football bowl games, the PGA Tour and Tour events, and the NFL, is set up as a 501(c) (3) entity, meaning that donations are tax-deductible, and the organization is not allowed to lobby the government.)

The scandal resulted in the firing of the bowl organization’s long time president. The Board released a statement claiming that although there had been rules and regulations forbidding many of the actions that took place, “there was a lack of enforcement.” The Board also noted that the actions taken “were effectively hidden from the Board of Directors.”

Stronger board oversight might have helped to prevent this embarrassment. “Boards are legally expected to have their fingers on the pulse of the organization’s operations,” notes Michael Peregrine, a partner in the Chicago office of McDermott Will & Emery, a legal services firm, in commenting on the Fiesta Bowl situation.

Among his suggestions for cleaning up the finances:

- Board members must establish guidelines to set out levels of authority to handle matters that require board approval and review.
The Fiduciary Role of the Nonprofit Board

- Ensure that information is distributed in such a way that potential problems get the attention of board members.
- Put policies in place in areas that may be “prone to mischief, such as lobbying and campaign expenditures, discretionary expenditures, gifts, and travel expenses.”


Fiduciary responsibility means much more than just reviewing the budget and signing off on the financial statements. (See Exhibit 1.3.) The board that is “vigilant” must ask questions, review progress toward goals, and monitor any changes to financial performance.

In the current nonprofit environment, where fiscal solvency depends so heavily on outside financial support from both public and private sources, providing this oversight means gaining a true view and a deep understanding of the fundraising programs, goals, and challenges of the organization.

EXHIBIT 1.3

Defining Fiduciary Responsibility

The principal financial role of board members is to act as fiduciaries for the organization. This role entails securing organizational viability through planning and assessing the effectiveness of the plan. The board oversees the overall financial activity of the organization and ensures that appropriate internal controls are in place. The board approves the budget and must receive timely and accurate reports from staff to be able to survey the financial development and achievement of the fiscal goals. Setting financial indicators, asking pertinent questions, and staying vigilant about environmental factors that might affect the financial performance of the organization all allow the board to stay on top of its oversight responsibilities.

One way to ensure that everyone follows appropriate policy and procedures in fundraising is to conduct a fundraising audit. This could mean an informal review of policy by a fundraising expert from a similar organization, or the organization could hire an experienced fundraising consultant to make sure that all the appropriate legal and ethical standards are being met.

Conducting a regular annual audit of financial records will also help to determine whether donors’ funds are being used in the manner and for the purpose that they were donated, whether pledges have been recorded accurately, and whether donors’ financial records are being kept properly.

*It is important for board members, as part of their fiduciary responsibility to the organization, to know what is happening to the money they help to raise.*

**Overcoming Common Barriers to Success**

There are a number of reasons why nonprofits don’t develop strong leadership in board fundraising. You will find some common roadblocks identified at the end of each chapter of this book with suggestions on ways to resolve them. Here are two that can be particularly insidious.

**Conflicts of Interest**

Avoiding conflicts of interest is a basic requirement of good board management. Like most bad news stories, conflicts of interest usually have a way of coming out in the most embarrassing and public way, and they can sap the energy and enthusiasm of board members while creating an environment of cynicism and a sense of unfairness.

Conflicts of interest often involve business with, or favors granted to, companies and entities associated with board members. While not all of these activities pose legal challenges, they do cross ethical boundaries. Board members should not derive personal or professional profit from their association with a nonprofit.

Examples of conflicts of interest include:

- Requiring that a nonprofit move all its accounts to a bank run by a member of the board.
- Requiring the nonprofit to use goods or services from a board member’s company in return for gifts.
- Awarding a contract that delivers a profit to a board member’s company.
Boards should develop a conflict of interest policy and take clear action if it appears to have been breached. See Exhibit 1.4.

**BOARD BURNOUT**

Board burnout is a common theme in complaints from board members who feel they have expended too much personal time and energy on a nonprofit. Burnout is a factor of too much effort being expended by too few people. It occurs when the full board delegates its duties (either formally or, more often, informally) to a few “worker bees” who are willing to shoulder the day-to-day tasks required to keep the organization going.

Burnout is an especially common problem in board fundraising efforts, because fundraising is often viewed (erroneously) as specialized work for a few volunteers, and so many board members are happy to step back and let one or two talented members take on the burden of major fundraising efforts.

There are many techniques that can be used to avoid board burnout (see **Tips and Techniques** nearby) but little that can be done once burnout is experienced—so be prepared! Make plans ahead of burnout time to spread the leadership and responsibility to a broader group of your fellow board members.

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**EXHIBIT 1.4**

**Example of a Conflict of Interest Policy**

Each individual board member should be committed to avoiding conflicts of interest by committing to:

- Serving the organization as a whole rather than any special interest group or constituency.
- Avoiding even the appearance of a conflict of interest that might embarrass the board or the organization; disclosing any possible conflicts to the board in a timely fashion.
- Maintaining independence and objectivity and doing what a sense of fairness, ethics, and personal integrity dictate.
- Never accepting (or offering) favors or gifts from (or to) anyone who does business with the organization.

*Source: Handbook of Nonprofit Governance, p. 47.*
TIPS AND TECHNIQUES

Ways to Avoid Board Burnout

- Rotate the chairs of key working committees, such as campaign committees or development committees, every year or two years.
- Limit campaign chair terms to two years, even during a longer campaign, to bring in fresh leadership and fresh energy.
- Actively seek ways to delegate tasks to newer and younger board members to bring them into the mix, so that the older and more experienced members of the board aren’t always leading the charge.
- Create a Young Leadership group that reaches out to younger donors.
- Ask new board members to “shadow” chairs of board committees to learn the work of that committee.
- Create succession plans for board leaders by identifying and training new leadership as an ongoing strategy.
- Encourage open discussion and welcome challenging questions from board members who are not part of the inner circle to support broader board participation and involvement.

IN THE REAL WORLD

Creative Solutions to Board Burnout

The fundraising staff at Horizons for Homeless Children in Boston created a game as a fundraising challenge to motivate board members who felt that the organization was asking them to take on too much responsibility for fundraising.

The charity’s chief development officer, Meryl Sheriden, and her staff created a competition they call the “Board Game,” a system in which all board members compete to gain points for specific fundraising actions, such as giving the organization a prospect’s name (one point) or bringing a potential donor to the site for a tour (25 points). The winning team is given a dinner by a board member. As Ms. Sheriden points out, “these are successful, highly competitive people, and the game is a fun way of capitalizing on that.”

As told in the Chronicle Board Report for Nonprofit Organizations (May/June 2011).
Summary

There are many good reasons why every board member should take a leadership role in fundraising. A primary one is that the development of resources to meet the organization’s mission is part of the fiduciary responsibility of being a board member. In these challenging economic times it is more important than ever to have skilled, active, and strong board leadership on the fundraising team.

The executive staff and leaders of the board should develop policies, procedures, and orientation materials that support fundraising involvement by every board member. When recruiting new members, nominating committees should consider qualities like fundraising experience, giving capability, and access to community donors in order to help build a strong fundraising board.

In a changing regulatory and legal environment, it is the board’s fiduciary responsibility to ensure that the organization operates with transparency and accountability. Even the appearance of conflicts of interest should be avoided. Donors should be able to depend on the board to make sure that their gifts are used in a manner that is legal, ethical, appropriate, and for the purposes they have been donated.