On Earning & Keeping Trust, Nonprofits' Greatest Asset

Regular readers of *Nonprofit Advocacy Updates* are well aware that public policy challenges can undermine the work of charitable organizations. That's one reason, out of many, nonprofits need to be transparent and operate ethically. Any action that breaches the public's trust can hurt all 501(c)(3) if lawmakers push bills that burden charitable operations, impose unrealistic expectations, or apply discriminatory treatment.

With these points in mind, now is a good time for a refresher course on why nonprofit law and oversight are essential – to promote trust.

Nonprofit super-lawyer Gene Takagi has been writing and talking about trust lately, reminding us that trust is essential to the ability of charitable nonprofits to have impact **and** making the case that the laws on disclosures, governance, and taxes are designed to help us earn and maintain trust. These are worthy reminders as much of society is afflicted with unhealthy cynicism and destructive partisanship.

In the blog post Nonprofits: The Impact of Law on Trust, Takagi lists several factors or events that can erode trust in nonprofit organizations. These include the coverage of scandals in nonprofits by the media, IRS and state oversight and enforcement, the rise of dark or secret money in politics, and a blurring of the lines between

nonprofits and for-profit activities.

On the flip side, Takagi points to positive actions by nonprofits that can overcome negatives and earn trust. Financial transparency is a key component, a detail that sadly is lost on many seeking abject secrecy in all of their affairs lest their questionable actions be discovered and become a trust-destroying scandal. The article also recommends that nonprofits provide demonstrable results for their use of donations and distributing more information about the organization generally.

Appearing last week on *Tony Martignetti Nonprofit Radio*, Takagi gave greater emphasis to these points in the episode titled, "In Nonprofits, Do We Trust?" He explains, "Trust is a critical component in all strong relationships, and it is especially critical for nonprofits." More to the point, Takagi stresses, "Of course, nonprofits want donors and funders to trust them, but it's also important to have trust among all internal and external stakeholders, including employees, board members, allies, media, and regulators."

To the question, "Is there anything nonprofits and their allies should do about it?," the answers are ample. Here are a few:

- Be compliant with laws governing nonprofit operations.
- Be transparent.
- Beware of mission drift or creep. This certainly can confuse funders and the public and lead to doubt.
- Don't be afraid "to advocate in furtherance of your mission, which may include lobbying for public charities."
- Call out media and others that misreport on nonprofits. In other words, help all nonprofits maintain trust by undoing the damage of stories that get it wrong and damage trust in the sector.

Takagi offered an important warning and concern that we share: "The erosion of trust will result in diminished giving by the general public with the possible exception of giving by the very wealthy, **who may use their growing influence to control nonprofits to advance their personal policy agendas**" (emphasis added).

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Trust is not something bestowed on a charitable nonprofit by government, a wealthy donor, or a celebrity endorsement. Trust must be earned. Every day. Through

compliance with the laws, proper disclosure of financial information, strict adherence to nonpartisanship, and dedication to the public good. Among these, transparency is vital. The public needs to know who is driving organizations to do what they do – for good and for bad.