

WISE GIVING™

GUIDE

A PUBLICATION OF THE BBB WISE GIVING ALLIANCE : SPRING 2009



**Donor
Privacy:
Disclosure? Exposure?**



A Publication of the
BBB Wise Giving Alliance

The *Wise Giving Guide* is published quarterly to help donors make more informed giving decisions. This guide includes a compilation of the latest evaluation conclusions completed by the BBB Wise Giving Alliance.

If you would like to see a particular topic discussed in this guide, please email suggestions to give@council.bbb.org or write to us at the address below.

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BBB Wise Giving Alliance
4200 Wilson Blvd.
Suite 800
Arlington, VA 22203
(703) 276-0100
www.bbb.org/charity

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*Associate Director,
Charity Evaluation*

president's MESSAGE

Less than eight years ago, a survey of donor expectations commissioned by the BBB Wise Giving Alliance found the public taking a hard line on donors' rights to personal privacy. Specifically, 85% of respondents did not like charities to share personal information like names and addresses with other charities.

When I recall that finding, I'm struck by how our view of privacy has broadened since then. Name exchange is still a hot issue, but many larger and darker ones have emerged. There's hardly a day without a news story of personal information lost, stolen or nastily exploited.

I'm not at all sure that either charities or donors have fully confronted the new challenges. While more charity Web sites display privacy policies than they used to, there's a long way to go. Studies show that Internet users don't take steps to protect their privacy generally, as much as they express worry about it, and both charities and donors often seem to think that privacy pertains only to money matters—that the security of a credit card gift is what it's all about.

But as we avail ourselves of a growing number of opportunities that charities offer online—not only to donate but to join chat rooms or seek health advice, for example—we must realize that the personal information we disclose can expose us to risk.

I urge you to consider the issues raised in our cover article. Online or off, expect charities to be forthright about how they deal with personal data. Understand your choices and make them known. Your privacy deserves no less.



H. Art Taylor, *President*





Donor Privacy: Disclosure? Exposure?

As donors, we place high value on transparency in charity. We ask that charities disclose what they're doing and what they're spending. We increasingly demand that they show us the impact they're having. Charities that file the IRS Form 990 must reveal the salaries of their chief executive officers and some other employees, as well as details of certain transactions with their organizations' leaders, both board and staff. This information is then made publicly available, easily accessible (and often viewed) on the Internet.

In theory, at least, life in charity is life in a fishbowl. That's what we want, it seems. Clarity and openness strengthen our trust.

But are we as clear about how charities should handle our personal information? How much say do we want to have on the use of our names once we've donated? Do we know the risks we're exposed to? What kinds of protection can we expect? How about the data we ourselves don't provide but charities discover about us? Is a charity's efficiency worth a cut in privacy? What about a donation itself—can we always assume it's a private matter between us and a charity?

None of these questions are new, but the Internet has given many of them new force. And the answers aren't easy. It seems that no sooner do we plug one hole in a wall of privacy than another opens. The responsibilities of both donors and charities keep getting re-defined.

We take a look at these issues.

Share me, Share me not

Identity theft, camera surveillance of comings and goings, computerized tracking of grocery store purchases—these are aspects of modern life cited as threats to personal privacy.

When it comes to donors and charities, however, advanced technology isn't seen as the main source of menace. Instead, what really makes donors feel they've been invaded is unwanted charity mail—old-fashioned, real-space stuff. “The exchange of donor information

between charities is the charity-related privacy issue we hear about most often,” says Paul Stephens, director of policy and advocacy at the Privacy Rights Clearinghouse, a nonprofit consumer information and advocacy center.

Most commonly, donors are reacting to the mail solicitations from unfamiliar charities that seem to deluge them after they make a contribution to one. They often assume that the initial recipient of their charitable gift has shared their names and addresses with others.

And that *may* be the case. Names are a commodity, and for charities, who must constantly seek new donors, it may make financial sense to exchange names of their supporters with those of other charities.

But names are available from many sources other than charities. By making a purchase, subscribing to a magazine, asking for free samples or filling out a warranty, you join a group of people that someone will be interested in reaching. The names of subscribers to a magazine for woodworkers might be valuable to a charity promoting sound forestry, for example. In other words, charities don't get names only from other charities. (For more on direct mail fund raising, see cover article in the Spring 2008 *Wise Giving Guide*, also available in the Resource Library at bbb.org/charity.)

Still, today's donors have the power to exercise some control over the use of their names. They can look for, and take advantage of, the kind of notice required by Alliance standard 18. To meet that standard, a charity should at least once a year offer new and continuing donors, in its written appeals, a means such as a check-off box to inform the charity that they don't want their name shared outside the organization.

You might want to note that this option doesn't appear on a “prospecting” or “acquisition” mailing from a charity you've not contributed to previously. That's because in many instances your name and address have been rented (with thousands of others) from outside sources, and the charity renting the name has no authority over its future use. Once you're a donor, the option can apply.

Surprisingly, despite the ease and directness of the choices they're offered, donors often pass on the chance to opt out. Perhaps they're influenced by the positive light that charities can cast over name exchange, stressing that it helps identify other people “who want to support the same cause you do.” Or the charity points out that sharing saves money it would otherwise have to spend to take to find those like-minded donors. Thus use

The exchange of donor information between charities is the charity-related privacy issue we hear about most often...

of one's name can be seen as an additional, intangible contribution and a vote for charitable economy.

Responsible charities take seriously donors' decisions about use of their names. But even if the choice of opting out of name and address exchange doesn't have the sweeping effect some contributors want, it's important that charities offer it and adhere to it and that donors at least consider the choice they're given.

Online, on guard

Everybody who uses the Internet has surely been warned again and again about the threats to personal and financial life that lurk in cyberspace. Many have become wary about not responding to spam emails, never opening attachments from sources they don't trust, and not disclosing bank account numbers or other personally identifiable information.

These cautions can't be over-emphasized, but they are probably heeded most fully in business transactions. People may be far less wary when it comes to online trickery in the guise of charity. Especially during disasters, when emotions run high, they're eager to help and their guard is down, they may respond too impulsively to spam messages and emails that claim to link to a relief organization. At such times the Alliance and others put out the word: if you want to give for the work of one of these organizations, go directly to the charity's Web site.

But even dealing with bona fide charities online, despite the multiple advantages, has hazards. People don't go to a charity Web site only to give money. They may communicate with health charities about their personal health conditions or medications, for example. They subscribe to charity email newsletters, order products, participate in public forums, and answer surveys, to name a few. And they have a right to know how the information they share, financial and otherwise, will be handled.

continued

Privacy policies and you

When you're searching the Web site of a charity on the Internet, here's what you want to know: what information about you, if any, is being collected? What will be done with it? Can you see and correct it? What measures are taken to protect it? A privacy policy, posted on the charity's site, should answer those questions.

Will you find such a policy on every charity site? Regrettably, no. Too many charities think that ensuring a safe credit card transmission takes care of privacy, never mind what happens to the donor's information once the card has gone through.

But will you even look? "I think most donors are trusting of charities," says Henry Goldstein, president of the Oram Group, a fund raising company in New York. "They don't pay much attention to what charities should be telling them about the use of personal data."

When a policy is posted (and the number is growing), give it attention. "Privacy policies should be written so that consumers can understand them and make meaningful choices," says Betsy Broder, assistant director of the Division of Privacy and Identity Protection at the Federal Trade Commission (FTC). Policies don't read like thrillers, but they can give needed information.

Don't assume that if you read one charity's policy, you've read them all. Contents differ, as do tone and clarity. Some are highly viewer-friendly, spelling out the charity's practices in detail and inviting you most cordially to phone or email its staff with questions or directions. Some come on strong in legalese, with prominent disclaimers of liability for visitors' use of the site. Such differences aren't necessarily significant as long as key points are included.

Alliance standard 18 requires that a charity site have a clear, prominent and easily accessible privacy policy. This is a voluntary standard, not a law. And the Alliance doesn't prescribe exactly what the policy should say, but just the four areas it should cover. It's up to you to assure yourself that the terms are acceptable to you. The essentials:



The policy should tell visitors what information, if any, is being collected about them by the charity and how that information will be used.

Look for a description of the personally identifiable information being collected. This usually includes full name, full postal address, telephone number, and email address. If you made an inquiry, the charity may note the subject you inquired about. If you donate, your credit card information is collected.

There should also be a description of how collected information is used. An organization might say that once it knows how to reach you it will send you news bulletins and requests for contributions and advocacy help. Some policies offer you the chance to opt out of these contacts.



The policy should tell you how to contact the charity to review personal information collected and request corrections.

Privacy policies that include this provision usually give email addresses or phone numbers for you to use. One recent charity policy goes a step further and states that if you ask for the information held by the charity so that you may request corrections, the charity will take "reasonable steps" to verify your identity and will then send you the requested information by postal mail, "which [it believes] is the most secure method of communication."



The policy should tell you how to inform the charity that you don't wish your personal information shared outside the organization.

Occasionally an organization says it shares no personal information whatsoever (and thus this

“Can I safely make a credit card donation online?” That’s the core of most donors’ concern, and charities commonly provide assurance about information submitted on their donation pages.

provision of the Alliance standard is irrelevant). Where a charity says that it does share information, however, you can’t always assume that the sharing is confined only to other charities, for fund raising purposes. A charity may explain that information is shared with its business partners, such a third-party vendor who distributes its email newsletter, for example.



The policy should tell you what security measures it has in place to protect personal information.

“Can I safely make a credit card donation online?” That’s the core of most donors’ concern, and charities commonly provide assurance about information submitted on their donation pages. (In fact, the major credit card companies insist on it.) Most policies note that your credit card information is encrypted, or scrambled, (usually in a system called SSL, or Secret Sockets Layer), ensuring that it reaches the organization it’s sent to.

But not every online contact involves a credit card. Visitors on a charity site may subscribe to newsletters, participate in chat rooms, ask for advice about health or medication, send their personal contact data, or many other things. For such reasons, the reference to “personal information” in this section of standard 18 goes beyond credit card data. The standard requires

that a charity’s security measures cover all personal information that visitors provide. Procedures commonly mentioned include encryption and storing data on password-protected servers.

Privacy policies, continued

The Alliance standard on privacy policy contains the basics recommended for any privacy policy, but charities often include additional points of interest:

Scope: Some charities note that their policy refers only to their Web site; others include their policy on exchange of donors’ postal mailing addresses or offline communications with donors. The American Cancer Society, for one, has separate policies for online and offline privacy. Presumably a charity that commits in writing to respect for individual privacy online is committed to protecting that privacy in other contexts.

Links: A charity with numerous programs may have different policies for specific programs. Charity Web sites may also enable viewers to reach other organizations’ sites directly, by clicking a link on the page. In such cases their privacy policies generally warn that those who click through should read the policies on those sites.

Changes: A charity’s privacy statement often recommends that visitors check the policy each time they visit the site, as changes may occur. One policy we’ve seen promises that notice of any material change will be emailed to its registered users.

The bottom line: Most policies state emphatically, and truthfully, that despite the measures they employ, there is no absolute guarantee of Web site security.

Down the road: There’s a growing movement toward requiring better protection of personally-identifiable information beyond that acquired on a Web site. This includes information transmitted by email, for example, as frequently occurs in charity when donors email contributions, including credit card information, or email confidential information about medications or health conditions. As reported by the *NonProfit Times* (November 15, 2008), laws requiring encryption of personal information transmissions have been passed in Nevada and Massachusetts and are under consideration in a number of other states.

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Data breaches

Risk is a fact of everyday life that's magnified in the cyber age. Personally identifiable information that should remain accessible only for the purpose for which it was collected, whether online or off, is constantly being stolen or exposed. Cyber criminals aren't always at fault; human error and carelessness sometimes are, but the results can be equally devastating.

Breaches are far more frequent than those big ones that make headlines. The Privacy Rights Clearinghouse (www.privacyrights.org) keeps a list of where and when records were exposed, and the cause of the breach. It says that "over 251 million data records of U.S. residents have been exposed due to security breaches since January 2005." (The number of records exposed is not necessarily the number of individuals, since some individuals may have several records.) While every spill doesn't mean that every name included is now the object of identity theft, the possibility that your identity is vulnerable can ruin many nights' sleep.

On this list, organizations reporting exposed data are corporations large and small, schools and colleges, libraries, and governmental bodies. There are few public charities, but charities aren't immune. Hackers are active, but many causes of breaches are more mundane.

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Laptops, flash drives, and computers containing sensitive data are lost or stolen. An employee downloads information from his work file and takes it to his next job. A faulty letter-folding machine leaves Social Security numbers visible through mailing envelopes. A snapped strap on a garbage truck sends sheets of unshredded personal data into the streets.

Getting to know you

So far we've been looking at what happens to data you voluntarily provide online to charity. Meanwhile, has anyone in charity been taking a little online look at you? Quite possibly.

While we marvel at the amount of information of all sorts available at the press of a key, we must be aware that the grand encyclopedia in space holds information about us and our lives, too, even if we've not placed it there ourselves. Today's charities, eager to find out which of its donors could be even more generous, mine that data to develop profiles of individuals' financial situation and interests. Armed with knowledge, they believe, they can fine-tune their fund raising.

For example:

The decision of the American Civil Liberties Union several years ago to collect data about its members and donors, in connection with its funding, provoked controversy within the organization as to whether members' and donors' privacy rights had been violated and whether the organization had been true to its values. (*New York Times*, December 18, 2004)

Just last year the *Chronicle of Philanthropy* (August 21, 2008) reported debate among fund raisers about a new tool, a CD that charities could send to donors to view on their own computers. The CD could monitor whether and how long the donor watched it and automatically transmit this and other information to the charity without the donor's knowledge.

Little of this is new. Finding out as much as it can about present or potential donors is good practice in charity. Charities have always depended on their board members and other supporters to help them locate other possible supporters. Word of mouth, social affiliations, financial connections—the resources are infinite, and fund raisers have plumbed them as long as charity has existed.

The difference today is the amount of public information available and the ease and speed of finding it. Real estate assets, stock holdings, income, marital status, Federal election contributions, age and contributions made to other charities are commonly

available. Gathering and analyzing it has become a profession. A charity that's trying to identify good prospects for major gifts might proceed like this:

1. The fund raising staff analyzes its supporters, choosing names based on its criteria for size, frequency and recency of its gifts.
2. A consultant (or staff member) uses a number of databases to find information like real estate, income, etc.
3. This information is used to construct a profile of the prospect that suggests his or her interest and capacity to give.
4. The charity can then approach the prospect with an informed idea of the size or kind of gift that the prospect might be willing to consider.

If you're a prospect, does this search make you shudder, or are you pleased at the care given to approaching you in such a personalized way? Whatever your reaction, it's clear that the practice has practical and ethical perils. Public information is often incorrect. Data that's provocative but irrelevant can be swept up with the rest. What's gathered may not be kept secure. Data may be used for purposes for which it was not gathered.

How private is giving?

The IRS wants to know the identities of charity's major donors, but it keeps the information to itself. If you give a cash or noncash gift of \$5,000 or more to a public charity, generally the charity will have to list your name and contribution amount, plus other detail, on Schedule B of the IRS Form 990 it files. (Gifts from corporations and other organizations are also listed.) Schedule B is the only part of the 990 that is not open to public inspection. Occasionally a Schedule B surfaces, however, when a charity includes it, inadvertently, with the copy of the Form 990 that it files with state charity regulators.

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Centuries ago the physician-philosopher Maimonides, considering different kinds of giving, ranked the anonymous giver above the giver who is known. Today's donors seem pretty willing to let the world know that they're generous and caring. To be seen as charitable is to be seen as a good person. Seeing our names among lists of supporters in charity annual reports or theater programs usually flatters rather than threatens—though in all likelihood we've not been asked for permission for those listings. Donors to charities with controversial purposes, however, might be uncomfortable if their names were similarly made public.

Donor anonymity became a public issue when Bill Clinton was pressured to reveal the names of contributors to the William J. Clinton Foundation in connection with his wife's nomination as Secretary of State. For some in the charity world, the question was whether revealing those names would be a violation of trust.

Jack Siegel, a nonprofit lawyer who blogs on charity governance issues and was critical of the Clinton

In privacy matters, charity isn't a world apart. It has many of the same privacy issues that business does, plus some of its own. It's thus both appropriate and necessary for donors to be pro-active.

decision to turn over the names, says that a practical lesson to take from the dispute is that donors and charities must make clear their positions. Givers who want to remain anonymous should check the privacy policy for the information they want if they're giving online (and ask if they don't find it there), and mail contributors should give written instruction that their gift be anonymous.

"Charities should adhere to their privacy policies, and if they promise anonymity should deliver on it," he says. "That just makes practical sense. Charities are in a repeat business, and it won't do to make donors unhappy."

For your name's sake

Security cameras, supermarket and pharmacy cards, credit cards, ATMs and E-Z Pass records can reveal where we've been and what we've done. Within minutes, photos taken without our knowledge can be posted on the Web for the world to see. Privacy isn't what it used to be.

Some of us worry about these changes, some don't. Happily, we're still individual enough to stake out our personal space very differently. Think Garbo. Think contestants on "The Biggest Loser." But when it comes to charity giving, there are certain basic areas that call for everyone's attention.

In privacy matters, charity isn't a world apart. It has many of the same privacy issues that business does, plus some of its own. It's thus both appropriate and necessary for donors to be pro-active. They need to assert their wishes about the use of their names. If they prefer not to have their gifts publicized, they should say so. They can't throw caution to the wind and assume that if their credit card goes through safely online, that's all they need to know.

In fact, what donors need to know is likely to change and expand as technology advances, and especially as donating online becomes more common. In charity, as practically everywhere else, we'll go on trying to find the right balance between efficiency and convenience and what we want to keep in our private life. ■