US fund-raising expert: Charities should disclose more to maintain donor trust

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THE National Kidney Foundation (NKF) scandal might have been the first of such magnitude in the Singapore charity sector, but it bears similarities to the downfall of several non-profit organisations overseas, according to a fund-raising professional from the United States, Ms Paulette Maehara.

The key features of the NKF saga — the lack of board involvement, transparency and information — were the same as that of the United Way scandal, a leading non-profit organisation in the US in the early 1990s.

In 1992, United Way president William Aramony was forced to resign over his spending habits and management style. Following investigations, which threw up sloppy record-keeping and accounting problems, he was convicted on 25 different fraud-related counts.

Speaking at a seminar on transparency and governance in the sector, Ms Maehara, the president and chief executive officer of the Association of Fund-raising Professionals, noted that the non-profit sector worldwide has grown rapidly, to the extent that it has outpaced governments’ ability to regulate it.

As of last July, there were 1,787 charities in Singapore — an increase from just over 400 in 1983.

But such imbalanced regulatory presence does not mean that the performance and governance standards of charities would deteriorate, “as long the sector self-regulates”.

PEER pressure, Ms Maehara said, is the “most powerful tool” of such self-regulation, such as when charities compete and compare best practices in management, governance and disclosure.

The rapid growth of this sector has also resulted in huge sums of funds being raised and, more often than not, made known in negative light through these scandals.

Her advice? “More disclosure is good, especially financial information directly to the public. Let donors feel empowered.”

The relationship between donor and charity revolves around donor trust and intent that the charity “will do what it promises” with the funds it raises, she said. And it was the breaking down of this relationship — which destroyed public trust — that was the “most damaging aspect” of the NKF saga, she added.

Around 80 people — including people in the charity sector and members of the public — attended the seminar organised by the Singapore Management University on Wednesday night.

Another hot issue with participants was the recruitment and renewal of board members in charities — which is a pet topic of Mr Benedict Cheong, chief executive officer of the National Council of Social Service.

Acknowledging that there are charities with board members who have served “forever and ever”, Mr Cheong said, to peals of laughter: “Don’t wait for the end of this month or next month or the following month for the General Election. It’s no fun. Watch the elections in non-governmental organisations. They’re more fun. That’s where the politicking really takes place.”