FTC / NASCO Give & Take: Consumers, Contributions, and Charity Conference
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Segment 4
Transcript

JANICE KOPEC: --head and get started with our second to last panel for today. This panel will be focusing on improving donor education efforts. Tracy and I have an ongoing debate of who has the better late day panel. I personally think I do. And I'm going to have them each just take a quick second to go down the row here and introduce themselves, and tell you briefly about their organization and what their organization has to do with donor education.

We're hoping for a more lively session than we've been having earlier today. I know we had a lot of content that we needed to cover. We will not be presenting any more slides. There will be no more content. We're hoping for more of a discussion. So I'm going to be asking questions of these folks about what we can be doing in this area, and I invite the audience to please interrupt, put your hands up. If you have questions, don't hold them to the end this time. It's OK to jump right in and take advantage of the lineup that we have here today.

Nageeb, Do you want to start?

NAGEEB SUMAR: Great. Sure. Good afternoon, everyone. My name is Nageeb Sumar. I'm a deputy director on the Philanthropic Partnerships team at the Bill and Melinda Gates Foundation, based here in our DC office. Very quickly, here's some philanthropic jargon for you. Our strategy is about inspiring and enabling informed and intentional generosity by all. So big mouthful, but basically, my bumper sticker is we're about increasing the quantity and quality of giving.

My team is both based in Seattle and DC, and most of them focus on individual partnerships, particularly with The Giving Pledge, this effort by Bill, Melinda, and Warren Buffett to get the wealthiest to give half of their wealth away during their lifetime, and then my team here in DC, and the reason why I'm here and looking forward to this conversation, is we think through how to create an enabling environment for philanthropy. We focus on the US, China, India, and the Middle East.

And in the US specifically, there's two facets that are relevant for this conversation. The first is, we have a strategy around building the supply of data both on nonprofits and on philanthropic flows so that we can better understand nonprofits and who funds what where. And so a couple of the folks on this panel, including Jacob to my left, are critical partners in that effort.

Another learning effort that we have is this effort called Giving By All. So rather than focus on ultra high net worth individuals, we're learning to engage with everyday donors and work with behavioral scientists to think through how we might learn a little bit more about if you change the context of what people see, will that actually make them more informed and intentional with their giving. So happy to provide some examples along the way, but that's kind of why I'm here and looking forward to the conversation.

JACOB HAROLD: Hi. I'm Jacob Harold. I'm president and CEO of GuideStar. How many of you have used GuideStar? Almost everyone. How many of you have used GuideStar to find financial information about a nonprofit? Now, how many of you have used GuideStar to find programmatic information about a nonprofit.

Fewer, but more than often. I think that that tension is actually part of what we'll be talking about today, is what's the information that really matters when thinking about social change, and Guidestar is in the midst of a transition to really try to provide that balanced view, and we believe that we're positioned to do that with, we have 2.9 billion, with a B, pieces of data on 2.4 million nonprofits used by about 8 million people a year on our site.

But perhaps more importantly, also used on another 209 platforms, including Facebook, Google, the donor advised funds of Fidelity, Vanguard, and Schwab. And so our hope is to begin to weave together the fragmented activity of telling the story of social change into one coherent system. So you don't just have an archipelago, you have Indonesia. You have a sense of commonality that is turned into good decisions, and that's fundamentally what we're trying to do.

So I'll look forward to the conversation today as we think about the various players, nonprofits that have information, other stakeholders with information, donors who need it, platforms that bring all that together. How do you coordinate that in a way that works for the interests of all?

STEVE MACLAUGHLIN: I'm Steve MacLaughlin. I'm the vice president of Data and Analytics at Blackbaud. Blackbaud's a leading cloud software provider, specifically to the nonprofit sector. We work with about 35,000 nonprofits in over 60 countries. Domestically our customers raise a little more than $100 billion a year annually, and one of the things that we do in addition to providing technology and software is a lot of research, and a lot of analysis around data and trends in the social good sector to understand what's really happening.

MICHAEL THATCHER: Good afternoon. Michael Thatcher. I'm with Charity Navigator, and we are the charity evaluator, and have been in existence for about 15 years. We have data on 1.6 million charities and we provide ratings on 8,350, roughly, at this point.

We also-- our mission is to guide intelligent giving or to make impactful philanthropy easier for all. We do this through the ratings and the evaluations, which you're looking at a combination of seven financial metrics and 17 accountability and transparency metrics. We're looking at expanding that towards more around effectiveness. That is an ongoing process that we've been engaged in.

In addition to the ratings, we also guide donors through hot topics on either world crisis events, or other topical subjects, and finally, we have an advisory system which helps notify donors of potentially inappropriate behavior or illegal activity, fraud, fake charities that exist, and we make that-- that is something that happens outside of the annual evaluation cycle and is also something that is a donor service that we provide.

LIZ GRANT: My name's Liz Grant. I'm with the Oregon attorney general's office in the Charitable Activities section. I'm here because the challenge I face almost every day is how to educate people about the possibility of charitable deception and fraudulent conduct without discouraging people from giving in general. I think you can look at charitable giving as probably the ultimate discretionary purchase, so it's kind of a delicate balance to help maintain that confidence.

Before I began my career doing charitable regulation, I worked here at the Federal Trade Commission in consumer protection, and I do have an observation that I think if you treat charitable education as the same, just another type of consumer protection, education problem, that you might miss some issues because there's a lot of differences in terms of charitable giving versus the regular purchase of a consumer product.

One of those differences is that donors are often the last one to know that they've been deceived. So you can't necessarily rely on donors to monitor the market for you or to monitor the market for other donors, so that's a problem. I have a lot of thoughts on why charitable education hasn't been that successful in the past, but not that many solutions, so I'm hoping I'll hear some things today that'll make my life easier.

JANICE KOPEC: Well, great. Thanks for all those introductions. As consumer protection regulators, we tend to look at donor education from two angles. The first angle is how do we get consumers to have the right tools to simply avoid fraud. What can we do to help them recognize that there are red flags about an appeal, or recognize that something went wrong with their payment process, or recognize that there's something misleading or potentially fraudulent and deceptive in the solicitation.

We have one bucket. Avoid fraud. We also have a more nuanced charge in helping to make sure that there's enough information out there to facilitate consumers making informed giving choices, wise giving choices, the best choices that they can make to further their charitable goals. While there's overlap in these areas, they are a little bit different, I think, as Liz touched on.

And we know that there's gaps in this area. We know that there are potentially gaps in the data. We know that there's questions about what data is most meaningful to consumers. We know that there is reluctance on the part of donors to do research prior to giving. And we know that there are transparency and messaging challenges from the charitable sector.

What I'd like to do on this panel is seek to see if we can identify any potential solutions to these areas, and where I'd like to start is with the data itself. Is there enough data out there to help consumers both avoid fraud and make wise giving choices? Is this a data problem or is this a problem about communication and education?

So I think we have a lot of folks here who work a lot with the data that is available about giving decisions, and I'd love to hear just step one. Is there a problem with the data? Do we need more? If we need more, who do we look to to fill in those gaps? Anyone? I'm looking at you, Steve.

STEVE MACLAUGHLIN: Well, I think I would start off by saying, I think data is both the problem and probably the solution, and we don't have a shortage of data. What we have a shortage of is the quality of that data, the completeness of that data, and we have a challenge of the silo-ization, if that's a new word, of the data. That it lives in lots of different places. And that, if not for certain things like the 990 form where you can actually get data, and you know-- but there's always more questions you'd want to ask from that, that is it necessarily there.

And so I think that's inherently one of the problems is that we have the data, in a lot of cases, but it's in pockets, and not all those pockets are either open to the public or accessible.

And I think the other challenge that, certainly, we are dealing with that some other folks have brought up today is, when people choose to make a charitable gift, they do not always use the same thought process or rationalization that they do on a consumer purchase. In fact, a lot of research shows that making a gift is not the same thing as buying something, and that we need to be careful not to confuse that people act in similar ways.

Even if they are informed consumers, there is still, in a motive aspect of what they choose to do, that they may still choose to do something that to us may seem to be completely irrational, but to them it isn't about being rational. It's about what they feel like doing. And that's a difficult balance balancing act in the sector.

JANICE KOPEC: Elizabeth Boris had mentioned earlier today that the charitable sector is open to being more transparent. How do they be more transparent? What information should they include in that transparency? So when we think about what can the charitable sector be doing to make sure more of this data is available to the public-- I think Elizabeth is still here today-- here's our chance. Tell the sector what information is missing, what parts of the sector need to come up to speed to get more data out there. Can someone speak to that?

JACOB HAROLD: I'd love to offer a few thoughts on that. We have a saying at GuideStar. No stories without numbers, and no numbers without stories. We really need both. We need a mixture of the qualitative and the quantitative. And our basic framework is you have operational and financial data as the baseline. We get that from the 990. That's an incredibly powerful comprehensive data set.

But is there anyone here who would want to tell your story according to your 1040? Who'd want people to judge your worthiness according to your tax form? Of course not. Right? That there are different types of questions that, when answered, actually tell you about the power, and the worth, and the effectiveness of a nonprofit that are simply not going to be on the form 990.

Those fall into two categories, I think. Or, arguably, three. And I'll share the third one that's more complicated.

The first is sentence descriptions of goals, and strategies, and capacity. Much like what is asked by private foundations in proposals. And the clarity of the answers to those questions is an incredibly powerful proxy for the effectiveness of a nonprofit.

The second are numbers that actually describe the progress of an organization against its mission. The important thing is that the nonprofit itself has to be the one to choose those numbers, because we can't force a nonprofit and say here's what you should be measuring.

Whenever foundations do that, the nonprofit feels disempowered, disengaged. It's not actually a useful measurement, neither as a management tool nor as an evaluation tool. We have to empower nonprofits to do that.

We've recently done that at GuideStar. We started that last May, and we've had 2,000 nonprofits share about four metrics each, so about 8,000. And the good news is that, so far, 72% of those, so about 6,000 of them, come from a common catalog of metrics. So we were kind of worried that every nonprofit was going to be a unique snowflake and demand that they had only their own special metric. We've actually found a decent amount of overlap. But at the same time, there are some non-profits that legitimately have chosen a programmatic metric that is unique to them, and that's OK too.

But you know, I would say for any donor trying to avoid fraud, if a nonprofit can't articulate a goal and a strategy clearly and doesn't have quantitative, programmatic metrics, those are pretty big red flags. But more importantly than avoiding the bad, that's the kind of information that helps us enrich the good, that can enable new levels of learning, collaboration, smart resource allocation, and ultimately, impact in the field.

So to me, those are the two most important pieces. The third one I mentioned, which is a little bit harder, is-- and I think this is a third category of effectiveness-- are you clear, do you have some way of measuring your progress on your own terms, and then the third is what are your feedback loops like with your stakeholders.

I don't include that as a requirement because those feedback loops can take very different forms. At a homeless shelter, you hope that the homeless people are providing some feedback to the homeless shelter about its performance. Or at a food bank, that the volunteers are. And those are very meaningful. But the truth is that the beneficiaries of the work of the Sierra Club don't have good line of sight to see whether the Sierra Club is doing a good job. Right?

So you may need different kinds of stakeholders. So that's a harder question, but my dream would be that eventually we could also have this third category of information, which is feedback from stakeholders.

MICHAEL THATCHER: Just I want to add onto that, because I think Jacob, you really kind of hit all of the main points. But one of the pieces that I think is missing is those are probably the right things that we should be asking the sector, but how do we articulate that to the donor in a way that's actually comprehensible. And, if you think about it, we have a taxonomy today for where's my money going, but we don't have so much of a taxonomy for what's my money doing, or what did it do.

And so articulating impact and having a taxonomy for impact, we're not necessarily going to get to a universal one, as you're pointing out, in terms of what we actually measure, but getting to a place where that's simple enough for the average donor that, to your initial opening point, they're not doing the research. So how do we have sort of baby steps in that direction where we're actually starting to see that information.

STEVE MACLAUGHLIN: Well, there's a they there, right? So the they being the vast majority of donors. So last year, the average age of a donor in the US is 62 years old. But as we look at younger generation, Gen X, millennials, Gen Thumb, Gen Z, whatever comes after that, we know that they express different behaviors and different attitudes that is very different than older generations.

Older generations suggest I give, give where it's most needed, I trust you. They have trust in institutions. They have trust in where their giving goes, that there's an expectation on their part that it'll go to the benefit of something. When you skew younger, that starts to disappear. And so, in fact, I sort of think over time, you will see a lot of pressure on the nonprofit sector or any sort of charitable organization from the donors themselves, because if you ask a 20-something how they feel about their gift, and not wanting to just see the output, but the outcome of that gift, there's a much higher emphasis from younger generations on those things that it ultimately either forces organizations to respond to that or not.

And I think you'll have a period of time where you'll have organizations who get really good at this and they end up being successful long term, and then you probably have a very long tail of organizations that don't, and more than likely, they disappear over time, right? Without that support.

NAGEEB SUMAR: Yeah. No, I'd agree with all of those comments, both the general premise that younger donors seem to want to seek more outcomes-oriented data, as well as this challenge that was articulated by both Jacob and Michael that it will take a long time for us to reach the holy grail of having an impact taxonomy, and impact and results data that can ultimately inform informed and strategic giving. And I think that the ways that both of these gentlemen are approaching that is useful.

Absent that, just one of the things I wanted to let you all know about that the Gates Foundation is focusing on is, as we look to build that supply of data-- so as we build a supply of data as well as work on donor demand-- so we touched on the fact that giving is very emotional and very reactive, but if we create the context for people to kind of be more intentional with their giving, then you're also changing the norm around what people expect, and so you're building both the supply and the demand so that people actually will generate that data on behalf of the nonprofits.

We're thinking about the both those things, and then one of the other things we're thinking about is kind of creating shortcuts. So absent the impact and results data that's necessary for us to make strategic decisions, can we create shortcuts for donors so that they can be educated with different choice.

So whether that's relying on the due diligence of the Gates Foundation, for example, and the results data that we collect from our grantees or from trusted people in the field, celebrities, et cetera, there are certain ways that we can create these shortcuts that, I think, can help inform and educate the donors so that we have a short term win, build the demand, and then hopefully all reach for that long term vision of creating that impact taxonomy.

JANICE KOPEC: Yeah. I think at various points during the day, we've touched on the relatively low percentage of donors that engage in meaningful research before making a donation. I think one figure is at most only one in three donors do any research. And moving that ball, one of the things that we wonder is, is that even possible. Can we sort of retrain donors to have basic things that they do before they make, at least let's start with a planned and intentional gift?

I think we'll put to the side for a minute emotional, responsive giving to a disaster plea, but what do we think the methods are to retrain donors so that we move that from not just being one out of three, but maybe being two out of three donors, or that most donors do a very minimal level of research, use a shortcut before they give a donation.

Liz, I know you're the most practical. So can we do it?

LIZ GRANT: I think it's difficult, and I also think you need to think about whether that's really what you want. I'm afraid there's a-- talking about balance, I'm afraid there's a possible inconsistency in that the more analytical we ask people to be, I'm afraid it may discourage giving. I think there are some tests that show that the more you make people think about it, they start going, oh, you know, maybe. I'm just going to walk away from this. They sort of abandon the shopping cart if they need to do a lot of research.

I think there's a lot of mixed messages in the educational messages that we all give, because we talk about not giving emotionally, and yet the fundraisers say you want to make sure that your solicitation has emotional impact, because that's what people give.

I mean, and if you think about one of the most successful giving viral campaigns with the ice bucket challenge, I think it probably violated every rule of wise giving for a lot of people. I mean, it didn't follow that script at all. So I still think that you have to be careful what you wish for and what kind of changes that analytical approach might have on the charitable sector.

JACOB HAROLD: If I may, just a couple thoughts there. I think, essentially, one of the challenges is that we're trying to optimize on at least three axes in this conversation. We want more giving, we want smarter giving, and we want less fraud. Those are kind of the three meta goals that I think have helped to define today's conversation.

I think we all agree with all those goals, but they interplay with each other. At times, they can be an intention. There is some evidence from the social psychology research that certain types of data, when provided to donors, kind of intimidate or overwhelm them, and they end up giving less. There's also evidence that there are ways to get around that.

So it's mixed, but it's a very real dynamic that we absolutely have to address, and it gets back to the 33% number, give or take, of what proportion of donors are doing research. That's either a lot or a little. I actually think that's a huge number. That's $100 billion a year in the US alone that's influenced by research. That's extraordinary. And when you think that people aren't going to do research when giving to their Alma mater or their church, that changes the denominator quite significantly as well.

So there's actually a lot of evidence that people want at least some information, but the burden is on us to figure out how do we present that in a way that doesn't suck the emotion out of it, but in fact enhances that sense of emotional connection. And people, I believe, are fully capable of doing that.

If you think about how people make a decision about how to buy a house or a car, that is neither a fully rational nor emotional decision. People are able to bring in many sources of data to make that choice. If you think about a website like Trulia, or Zillow, or Redfin-- you can tell I'm trying to buy a house right now, which I've never done before. But there are many different kinds of data.

It can be very analytical and without losing that sense of emotion, but it is not an easy thing to do. And I think the burden is on us in the field, and especially platforms like ours, to try and figure out how do we help donors given a way that is infused with data, but not desiccated of emotion.

MICHAEL THATCHER: The one thing I'd add is it's this whole notion of being proactive in one's giving. And as the different platforms that are facilitating the giving process, we can be faster, better, improve that experience. That's always something we're going to be working on.

But actually getting to the next 33% is about instilling a spirit of inquiry or investment. I think one of the words that was used earlier today was being a backer in the futurist who spoke to us from LA was talking about backers. Not donors, but backers.

And so you're not investing in a product. You're not buying a product. You're actually backing some form of social change. And I think that's where, if we start building that-- and I think we are to your point about the younger generation, they're seeing things, I think, more in that way in their investment in social change. Doing more with that.

NAGEEB SUMAR: Just two quick observations. One is, just to provide some nuance in 33%, I agree with Jacob about, you know, that's $100 billion. At the same time, that other data piece with respect to research is that only 9% in that same study actually do comparative research on giving. So a lot of that research might be to validate an existing choice that you've already had in your head about where you want to give. So I think it's important to think about how to build a fluency around comparative research around causes as well. So that's one thing I wanted to raise.

The second thing I just wanted to raise is, we all have to be creative in trying to make it so that research doesn't seem like a burden. And I think that's where a lot of these new consumer-facing platforms and social platforms like Facebook and Google will play an integral role in helping us kind of feed in. And these gentlemen on the panel are all working with those platforms to ensure that when you're meeting people where they feel like they have this joyful emotional experience, can you kind of infuse some of that research, subliminally, almost, so that they make an informed decision without necessarily feeling like it's a burden or that it's overly cumbersome.

JANICE KOPEC: And I want to follow up on this idea of creating better consumer feedback loops, and the idea of creating more shortcuts for potential donors. Earlier today, we had a question from the audience of, couldn't we create a system where we have something more like Amazon reviews, or you know, we've talked about this amongst ourselves, a Yelp review system.

When we engage as consumers, we are able to document our experience and get our good or service, evaluate it, and then share that experience with millions of other Amazon users to inform future decisions, even if ours was poor. Is there a way that we can build on those types of consumer feedback reviews systems in the charitable space, and if so, are there dangers to that? Is this a terrible idea? Is this not applicable to this space?

But it is something that was brought up this morning in that consumers are trained well in that space now to look beyond just Consumer Reports, but to look at actual the other individual experiences of people making a similar decision. Is that something that we can replicate effectively in this space?

JACOB HAROLD: I'll just offer the one. One data point is that there is an organization, GreatNonprofits, that has experimented with this, and they've collected about a quarter million reviews. But there are some very interesting learnings that have come out of this. One is that almost all the reviews are either one star or five stars. There's not a lot of nuance in the middle.

And you think about Yelp--

STEVE MACLAUGHLIN: It's love or hate.

JACOB HAROLD: Right. It's love or hate, and it's almost all love, and it's mostly donors. Now, I gave the examples of a homeless shelter where you really care about what the homeless person thinks, or should, or at a volunteer-driven organization, you should really care what the volunteer thinks, because they have line of sight

But then you look at-- it was really interesting to read some of the reviews of, for example, Greenpeace. And the reviews will say these issues are so important and these people are so brave. Right? Now both of those may actually be true. I think they are. But that doesn't tell you anything about the effectiveness of the organization itself.

Now I happen to believe that Greenpeace is an effective organization, which wasn't always true, but there's-- you caught in these sort of traps, I think. However, the good news is that still you can get some great insight from that text. You can look for patterns, but you don't get a simple answer.

So at GuideStar, for example, we have a partnership with Great Nonprofits. We share all the reviews, but we no longer share the star ratings because we just don't think they're meaningful. But the good news is that there are literally hundreds of experiments happening around the country, many of them funded through a joint initiative mostly led by the Hewlett and Ford Foundations. It's called the Fund for Shared Insight to try to systematically figure out how might we gather more insight from the stakeholders of nonprofits. So no one's figured it out, but there's a lot of work to try and get there.

MICHAEL THATCHER: What I'd add to that is, there's the feedback from, let's say, the donors or things like the Yelp reviews, and then there's the constituent voice or the feedback coming from the beneficiaries themselves. I think you can get a stronger signal from that in terms of-- you know, to Jacob, your point-- is the homeless shelter actually providing a meaningful service to the homeless people that it's serving, and getting that feedback directly from the homeless people served. Not so much the donors that are actually supporting the shelter.

So I think differentiating between the two sources is important, and there is quite a bit of methodology around how to work with constituent voice that's in place that is no from shared insight as well as other initiatives.

JANICE KOPEC: How do we get that information out to potential donors? So when we get feedback from the beneficiaries, if it's bad feedback, I would imagine that the charity wouldn't be interested in sharing particularly bad feedback. Who are the other gatekeepers involved in this space who could be a source of communicating that type of potentially negative or red flags on to consumers when it's coming in from the beneficiary side.

STEVE MACLAUGHLIN: I mean, I think it's ultimately where you've got to have the public sector, the private sector, and the social good sector all working together. Any one particular entity will want to game the system to their particular advantage, right? But if all three of those sectors are looking at it-- like if I'm in the corporate world and I'm looking at my CSR campaign or my employee matching gift campaign, and I'm recommending certain organizations that the company has said we think these are good organizations to give to, that will influence giving behavior, right?

I think you've got to have a combination of those things, in part because no one in this room probably ever took a class or was taught how to be charitable. We were taught how to tie our shoes, and count, and measure, and read, and do things, but no one took a class in kindergarten that told you how to be charitable. Maybe share or, you know, not hit Jacob, but probably nothing beyond that. So what's the basis of that education?

We probably have a lot to do there, and that's likely going to take all three of those major sectors working to make that happen.

JANICE KOPEC: Because we have a room that includes a lot of regulators, what do you think the regulators need to be doing to get out a more consistent message to donors in this area? What are the pieces of data that you think are of greatest utility to donors? And what are the messages that government can be supporting to get out to potential donors?

JACOB HAROLD: So let me start by just saying thank you to the regulators in the room. The work you do is really, really important in enabling us to even have a conversation about quantity and quality of giving. That's only possible because we know there are forces that are driving down the fraud numbers.

I will say that-- I'll say something controversial. Please, please, please, please don't say anything about the overhead ratio, because you're contributing to the myth that that is a proxy for quality, and I think we all know deep down that it's not.

When you go to a restaurant, you want to make sure that it has a good sanitation rating. But that's not how you choose between a good and a great restaurant. Right? You care about food, and ambiance, and service. And the problem has been that a intellectual framework that's quite appropriate for minimizing fraud, looking at overhead, has been applied to the question of quality where it is actually utterly irrelevant. And so my request to all of you is to not tell donors in your states to look at the overhead ratio. That's your job, and I think you should do that, and I hope you do, and we're happy to help if we can.

But donors get confused, and they end up paying attention to the wrong thing, and that ends up being terrible for the people, and the communities, and the ecosystems that the nonprofit sector's trying to serve t the nonprofit sector has starved itself of essential investments in core capabilities, including the ability to evaluate your progress because of this strange pressure to drive down overhead ratios.

So instead, I just hope you do your job really, really well and then if you are-- and I think, in general, donor education is most effective on the quality and quantity dimensions. I think it's harder on the fraud dimension. But if you are going to spend time on that, I think there are other indicators of, is there actually a clear goal and strategy here. Do they have any programmatic metrics? Do they have a website that looks remotely real? Do they have a set of good stories? Are there any third parties that have given them any kind of support?

I mean, there are other things that you can offer to help donors root out those rare cases of fraud, but ultimately, I think you in this room are the most important line of defense.

JANICE KOPEC: We had a question from the audience that touches very much on this point. And the question was, since our main goal as regulators and law enforcement is to prevent fraud, how do we educate the most vulnerable population to do that, and what role do other charities have in that space. Particularly if you have one or two bad apples, what obligations do charities who can detect and be aware of that have to help us weed that out?

Now, Jacob you mentioned a couple of things to help the vulnerable populations, or any one trying to make these decisions. You know, look at the websites. Check for a mission. Is there information about impact? But is that enough to help them recognize red flags? What would you point to as something that any consumer can look at as just sort of a gut check of, should I click the donate button or not?

MICHAEL THATCHER: I think you've pretty much said most of them, but I think it's the question of interacting with the charity. Ask a question. If you don't get a straight answer to your question, that should already raise some issues. I do think that you can't ignore the financials, but you also want to look at the governance structures.

We talked a bit about privacy policies. How is your privacy going to be handled? Is there an independent board of directors? If the list of the board of directors all have the same last name, then there may be some family collusion issues that you have to be aware of. Those are potential red flags.

JANICE KOPEC: I know, though, I think I'm a pretty cautious person with my money, and I will tell you that I don't take those steps when I donate. I will check the website. I might Google it, make sure there's no terrible news stories. Are we looking to the wrong place? Can we really rely on just donors to weed out potential instances of fraud?

Are they really going to be the ones to look at the 990 and see all the family members? And if not-- and I think not-- who should be doing that? Who should we be looking to as another layer of protection for the donors?

MICHAEL THATCHER: So what we try to do at Charity Navigator is to do some of that work for the donor. So if you were to come to our website, search for a charity, if it was a rated charity, you would immediately get a star rating. That star rating is based on the strength of their financials. That's half the rating. The other half is based on the accountability and transparency. So you'll know right away that this is at least a legitimate charity that has good governance practices.

From there, you do probably need to take the next step, but chances are, you're not dealing with a fraudulent or good organization. Chances are, right? There's not necessarily a guarantee to that.

Where I want to go back to your previous question, which was what is it that we could use from the regulators, and how can you help us or how can we help each other, more on the negative side and in the enforcement or investigation side, letting us know, because we are potentially amplifiers of your message, when there's an investigation or something is under way.

We can broadcast that to our donor base. We have 10 million donors, or what I called more the consumers of average retail donors in the nonprofit sector. That is-- we want to let them know right away when they should not go somewhere. We also want to let them know right away if an investigation has been closed or was deemed not relevant in some way or form so that the mark on that charity can be lifted.

On our side, we get a lot of inquiries where we are in turn directing people to the local AG to do the same, to raise issues with you. We'd love to be that conduit, and I think everyone here can be a part of that.

JANICE KOPEC: Shifting gears a little bit, we have a question from the audience again about the type of information that is available to consumers, and this question is particularly towards Jacob and Michael. Are you working towards substantially minimizing the significance of certain figures on the 990, such as total revenue and program efficiency percentages, which are easily manipulated and inflated with gifts in kind over evaluations and joint costs allocations?

So when you're looking at those pieces of information and assessing them, do you take into account that they can be manipulated in this way? And if so, how do you account for that?

MICHAEL THATCHER: I don't know that either of our organizations is trying to interpret the 990. So I don't know that we're doing that. The actual ratings methodology, particularly, with regard to the financial metrics was-- there was a revision that went into effect in June of last year which took away one of the problematic areas, which was revenue growth.

We are also looking at three year averaging so we can avoid spikes in the data given how large grants are reported. But actually doing an interpretation, other than if we see questionable ways that the 990 themselves have been filled out, then we'll go back and deal directly with the charities, but we're not actually changing that in the ratings methodology right now.

What we are doing is moving towards adding a third dimension which was previously called 3.0 or results reporting, some form of effectiveness assessment, or just surfacing that information. That is to complement what is in the ratings today. It is not necessarily to replace anything in there.

JANICE KOPEC: We've talked a bunch on this panel about the type of giving that I would call more planned giving, that donors are taking some time, making a decision, potentially doing a little bit of research. What about where donors are completely reacting emotionally? That there is the nightclub shooting, the disaster where you can get bombarded with messages to help and to give, and you're going to respond immediately, you know, text $5 now.

What can be done in that space to protect donors from fraud? Is there anything that can be done on a consumer education front, or is that something that needs to be handled more on a law enforcement or charitable sector weeding out bad apples in that space?

MICHAEL THATCHER: I'll jump in again, because this is an area where I think we add a fair amount of value in that when there's a crisis, like the nightclub shooting, we will build a list right away where we're actually reaching out to the charitable sector for organizations that actually have feet on the ground that are doing something.

Whether it's Hurricane Matthew, the Orlando nightclub shooting, earthquake in Nepal, we're making sure that the organizations that we put on a list-- so we'll create a collated list which shows here are some organizations that are actually doing something there. These are three and four-star rated charities. So they're the top of the ratings that we have. And at least there, you know you're going to reputable entities. These are bigger and more well-known organizations, and that's our approach to that.

LIZ GRANT: And I'll add that I think that one of the things that's happening is that states and communities are kind of setting up charities in advance that are ready when those disasters strike so that they can kind of crowd out the space that might exist for fraudulent actors because the messaging is all, if you want to help, give to this entity.

I think that, in general, sometimes the government is sort of reluctant to tell you to give to a particular charity, but with the disasters, I think it's been easy to promote an existing fund that's been sort of vetted as if you want to make sure that you're giving your money to a safe place and not something that's started to have those kinds of charities and funds ready to go in advance.

NAGEEB SUMAR: I'd say there's also just an increasing trend of the analogy with mutual funds. So as you get interested in a cause or issue where there are more intermediaries that are creating a basket of organizations that you might be able to support in the event of a disaster. And again, you're kind of spreading your bets there in terms of both effectiveness as well as impact.

And so whether it's, I think the previous conversation was about DonorsChoose, and GlobalGiving. There's center for disaster philanthropy. There are a bunch of intermediaries that are playing the role of vetting, along with Charity Navigator, to be able to create the easy information that's digestible for consumers in an immediate way.

JANICE KOPEC: I want to open it up to any additional questions from the audience. I know that we've slipped a little bit on time today, and so I just want to make sure we have a few minutes before we move to the next panel. Yes, sir, in the back.

SPEAKER 1: just wanted to urge the panel to think a little more urgently about donor education for a second. We haven't talked much today about the fact that government funding of nonprofits supports both foundations and individual donors, and we could be in a situation here where we need to, instead of gradually going from 2% of GDP to 4%, we need to do it really quickly, or the nonprofit sector's going to be in serious trouble.

What are we going to do if we have to raise twice as much money in 2017?

STEVE MACLAUGHLIN: I'll be a bit of a contrarian on the GDP stat, which gets tossed out sort of over and over. I actually think GDP is the wrong stat to look at, because it assumes there's some magical relationship between the health of the economy and things getting better. If that were true, we wouldn't probably be having this meeting today.

I think what's more striking is somewhere in the Giving USA reports buried deep within the indices is it shows that the percentage of disposable personal income that goes to charitable giving is 2%, and it's been stuck at 2% for 40 years. And I would say that is the bigger thing to focus on, given that 71% of giving is from individuals, another 8% is from bequests, which just happened to be another type of individual.

That's where the focus should be. And also, I think I would sort of applaud some of the work they're doing at the Gates Foundation to set aside the Gates and the Buffett gifts, but really look at the everyday donor, and how do we grow the everyday donor. Because ultimately, that would be the thing that drives the vast majority of giving.

I would also posit that maybe the consumer public has already decided. 86% of reported revenues go to 1% of all charities, so have they already decided where they want to give or where they want to grant money from their foundations or not? So are we talking about the 1% or the 99% that's trying to get the other 14% of the revenue?

I mean, I think you've got to sort of choose where do you want to focus, because it can't be everywhere.

JACOB HAROLD: And I'll just add, I think there's an opportunity to use behavioral economics and insights from human behavior to drive up. So this is a quantity dimension. Right? We've been talking about quality fraud, so on the quantity side.

So for example, there's a great company in Arlington called Opower that is an energy efficiency company. And what they do is they provide a report to every energy consumer about their energy usage and then the usage of their neighbors. And it turns out that that kind of targeted guilt completely transforms behavior.

STEVE MACLAUGHLIN: Social proof. Don't call it guilt.

JACOB HAROLD: Fair enough. Social proof. And I think there's an extraordinary opportunity for something very similar in philanthropy, because the median amount given is much lower than the mean. Right? So most people are giving way less than-- it's not 50% of people are giving less than 2%.

STEVE MACLAUGHLIN: It's a lot less.

JACOB HAROLD: It's a whole lot more than 50%. So how do we-- and this just requires the right kind of partnerships, in particular with consumer finance companies. So if we could get the Wells Fargos and Bank of Americas of the world, and Intuits, and others to help us show to individual American citizens just how far below the average they are, and do that in a way that's very welcoming and inviting, I think there's actually some great potential to [INAUDIBLE].

NAGEEB SUMAR: I'll just piggy back off on that really quickly, just because we're working a bunch with this group called ideas42 which is a nonprofit based in New York that is applying behavioral science to charitable giving. In their last poll, they basically found that people think they should give 6.1% of their income to charity when they give actually less than half of that.

And so at the Gates Foundation, we're intrigued by that number. We're thinking about different ways in which we can spur, again, the quantity. One of the experiments that I love to talk about that we're running at scale is this idea of creating goals. So we talk about intentional giving and setting goals, and if you can think about basically two frameworks, one in which you have basically just a small chart that says, if you decided earlier in the year to give five donations in the year, and you have a check box every time you give that donation, versus one page that doesn't have that, the hypothesis is that just that device is actually going to spur more giving.

And it's called, in behavioral economics-- I sound smart when I say it-- pseudo set framing. And it's all about basically people wanting to be wanting to complete sets. And so this kind of behavioral insight can actually help spur the increase in giving. So these are the kind of things that we're experimenting with at scale in different channels-- workplace giving, donor advised funds, online donation platforms-- to see whether or not we can adjust the quantity.

The other thing I'll just mention is, as it relates to overall giving, of course, individual giving is spurring a bulk of the overall $360 plus billion in overall giving. As it relates to the current context, I will say institutional philanthropy is also responding, and at the Gates Foundation, we just decided that we're going to increase our annual payout probably by 15% to 20% over the next three years.

I know a lot of conversations that are happening with foundation leaders this week are about gravitating from whether or not they should be more in a spend down mode given what's happening. So it's interesting the current climate, the conversations that's been spring on the philanthropy side as well.

JANICE KOPEC: One more question. And I know you've had your hand up.

SPEAKER 2: [INAUDIBLE] question, which is that [INAUDIBLE] how to educate [INAUDIBLE]

JANICE KOPEC: So for those listening remotely, Andrew pointed out very nicely that by focusing too much on third parties, we take the conversation away from the charities themselves and how they communicate directly to consumers. We saw several times this morning that the number one source of information for potential donors that's meaningful to them is the charity that they're giving to, which does sort of turn it back, I think, to how do we then not just come together to empower consumers but to actually help facilitate the charities themselves to do a better job of communicating.

And I think that that's something that will hopefully get touched on a little bit on the next panel as well. And with that, to keep us on time, we're going to move on to the last panel of the day. These folks are here, though, I know we didn't get to all the questions, so please bother them when you see them. Thank you.

JACOB HAROLD: Thanks [INAUDIBLE]

TRACY THORLEIFSON: Other than that, we were looking for our name tags.

All right. Good afternoon. This is the end of a long day, and thank you all for staying. Hopefully, you're still awake, and I hope that the discussion we have on this panel keeps everyone awake. I am beyond thrilled to have this panel of super smart people who have been thinking a lot about charitable giving and philanthropy in the charitable sector for a very long time, and I know that they are going to carry me through this panel by having great answers to a very few questions.

We have Andrew Watt, who is currently a global strategic consultant and was formerly the head of the Association of Fundraising Professionals. I can't quite see the order they-- oh, there's Mark. We have Marc Owens, who is currently a partner at Loeb and Loeb advising tax exempt organizations, and prior to that, he was with the IRS Exempt Organizations Division for 25 years or so. That was before. It was earlier in the IRS Exempt Organizations tenure.

And then next to him, we have Mark Pacella from the Pennsylvania Attorney General's office who is Chief Deputy of their Charities Bureau, and who has personally been involved in litigating a whole bunch of pretty famous trust cases as well as a lot of charity fraud cases.

We have Art Taylor, who is the CEO of the Better Business Bureau's Wise Giving Alliance. We have Sue Santa, who is currently a consultant formerly with the Council on Foundations doing policy, and we also have let me get to your bio. No, I can't find it. All right. Allison. There you are. We have Allison Grayson, who is joining us from the independent sector where she is a senior policy analyst and is also currently getting your PhD?

ALLISON GRAYSON: Yes.

TRACY THORLEIFSON: And a doctoral candidate. So this is a fabulous panel, and I hope you all join in with questions. I just have three very big picture questions that I think could keep us going for however long we all have the stomach to go for. The clock is set for 52 minutes, but we're a little bit behind, so.

But my first question is, quite simply, after everything we've heard today about the regulatory challenges, the size and scope of the sector, donor motivation, emerging technologies, future technologies, and what is going on right now in the fundraising world, if each of you could just talk briefly about what you see as the challenges facing regulators, law enforcers working to combat charitable fraud and provide oversight of charitable giving. What are the biggest challenges facing us? And let's start with Allison.

ALLISON GRAYSON: Great. I want to thank Tracy and all of the planners of this event. This is a great conversation and I'm just really honored to be here. As far as what is facing regulators, I think more importantly, the social good space as far as oversight and accountability from our perspective-- and I don't want to take away from what some of my fellow panelists might say, and they have a wealth of knowledge in those areas-- but for me, in the independent sector, one of our greatest concerns is a lack of resources for regulators in particular.

That we work primarily in federal policy in the independent sector. We have a position to try to encourage policymakers to adequately fund the IRS so that they are able to provide the oversight role that we think is necessary to preserve the public trust in the sector. Unfortunately, that has not been the case in the past several years, and in this current political environment, we're not encouraged that it looks like the IRS will get an infusion of funding anytime soon.

That means that a lot of additional burden might be placed on state charity regulators. And we know that they're also constrained as far as resources go. So for us, I think the biggest challenge would be ensuring that the regulators are able to monitor and enforce current law the way that it's intended, and ideally, not resort to additional particularly onerous regulations trying to compensate for this governance problem.

TRACY THORLEIFSON: Keep going. Sue.

SUE SANTA: I too want to thank. Thank you the FTC and NASCO for conducting this conference. And I'm going to bring a different point of view than, I think, has been expressed by most of the speakers today. So as Tracy noted, my most recent stint was with Council on Foundations. Before that, I was with an organization called the Philanthropy Roundtable.

So that is the scope of my experience in the nonprofit sector. Before, that I was in for-profit. I actually worked for NASCAR. So if there's someone who doesn't show for profit more than NASCAR, I'm not sure. But anyway, so I have a lot of different perspective. The constant in everything I've done in my career has been policy and advocacy.

So I'm coming to you from the grant maker perspective, organized philanthropy. Basically, that would be private foundations, community foundations, corporate giving programs, and then I would say probably community foundations share a lot of practicalities with others in their communities who make grants, both receive contributions, but then also make grants. So I just wanted to give that as the grounding for what I'm going to say here.

So to answer your question, Tracy, challenges. I think the first thing we all need to come to terms with is what exactly are we trying to answer for. What is it that we're trying to solve here? And then who can help us solve that? And when you look at this issue of bad actors in preparation for this panel, I actually took several hours and spoke to a number of foundation leaders to get their perspective on the questions that you're raising here.

And one of the first things that they came up with was this challenge within the field itself to define what a bad actor is, and we tend to kind of conflate those that are truly engaging in illegal activity with those that may not be meeting some sort of standard of excellence. And obviously, one is very clear and the other is absolutely not, and the former panel reflected on that.

So if we just take those that are behaving in illegal activity, whether they're just true fraudsters or they are raising money to fund illegal activity like terrorism or something else that's illegal, or everything looks good but their practices are illegal inside, self-dealing, things like that, I think that the foundation community could say we might be able to help you identify those. And when we get into the more qualitative, I think, they are as confused as others.

But bear in mind that grant making organizations, especially community foundations, small private foundations that are giving very locally, they know a lot about their communities. They know a lot about the charities in those communities because they're helping to fund them. This has really grown with community foundations and others who are sponsors of donor advised funds. There's a lot more due diligence that they need to do.

So I think one of the ways that the philanthropic community might be able to partner is to come up with some way of sharing information, a way that's comfortable for the grant makers, a way that's voluntary, not mandatory, and a way where they feel some protections as well.

I think of the hands that raised when I was talking with foundation leaders was, well, does this put us on the hook for something, or would we be liable for something if we got into this arrangement. And I said, well, I have no idea. We'd have to talk about it.

But I think there is information that's gathered around, again, that true kind of bad actor illegal space. There's lots I could say about how to do that, maybe some best practices and ideas, but maybe we can get to that later so you can move onto our other four panelists.

ART TAYLOR: OK. Well, I think that the biggest thing that the regulator community is going to have to deal with is how to ride along with change. And I've certainly been taking notes today, and I've not attended a session in my 30 year career where change has not been more central to the theme of the event.

We've heard from people who tell us that charities are going to be communicating with donors via virtual reality headsets. We see that fund raising platforms are proliferating. Giving is going to be through living. You give while you live via embedded tools and other things. More and better data on how to solicit and to get people to donate to your organizations.

Maybe there won't even be organizations, as we're seeing more and more entrants into the social good space, many of which aren't charities. And I think the big challenge for regulators is to take an approach to regulation that we've seen work to some extent over the last 30 to 50 years and try to either continue that in a new and more robust way than you currently are, or I don't think we're going to be able to live up to these challenges.

So I believe that the regulator community has first got to understand that the tools that they currently have at their disposal do not position them well to ride along with this enormous change that we're about to see and we're seeing over the next few years. And it's not going to be good enough, I don't think, to play catch up.

So I'll just stop with that, but I have four pages of notes that sort of support my thinking here, and we can certainly-- I hope we get to have more of a conversation about some of these others, but to me, change is the number one theme that I think the regulator community has got to take hold of. And it may be done in partnership with different stakeholders in the social good space.

So rather than try to go it alone, I think the regulator community, first of all, has to work better with itself. There are state regulators that have to. And I hear that that's happening. I'm really happy to hear that the various states are beginning to work together more effectively. The FTC by leading this event is a symbol and sign, I think, of the need to come together more.

Organizations like ours need to find ways to support and work with the regulator community. And so I think it's going to take quite a bit of working together and collaborating to stay abreast of everything that's going on and everything that we're expected to experience here over the next 10 years or so.

MARK PACELLA: Yeah. Well, thanks, Tracy, for having me. I'm going to try to go quickly. Some of the stuff that I'm going to offer now, I think, has already been inherent in some of the comments that you've already heard. We've already heard about the lack of resources that the government has to do this.

I was particularly intrigued with Sue's comment about who is it that we're trying to pursue. What frauds are we trying to protect against? What do we add in or consider to be fraudulent? Are we're talking about people who collect money to do A, then they turn around and do B or just keep the money? Maybe the most blatant form of fraud.

Are we talking about those organizations that are just ridiculously chronically inefficient and seem to just pay the bare minimum of lip service to what they say they're committed to while they provide themselves with livelihoods, and expensive cars, and perks, and all that sort of stuff? Is that the kind of fraud we're talking about?

Unless we have a really clear idea on that-- and I'm going to suggest to you that there is a huge variety of frauds. We can go on the one continuum from the criminal side of things all the way up to the far end on civil, to where we we're not really saying, well, you know, it's not all that deceptive. It certainly is inefficient. The Supreme Court tells us that's not indicative of fraud, but it sure feels like it's fraudulent.

So from a regulatory side, when we look at just the scope of what I think we might all, if we had to write a list of 10 examples, we might actually have a pretty broad list of things that we might fit into that category protecting against fraud. When you add that to this lack of resources and the simple magnitude of the activity that's going on in the sector, I mean, you know, it just keeps getting bigger, and bigger, and bigger.

I don't know about the other folks in the-- you know, I'm not the only regulator here, but I'd really just celebrated when they started with B corporations and other variations that further blurred the line between where charity started and business corporations started.

Now we've got a whole other universe of entities that purport to do public good charitable services, and I'll be honest with you, I'm not exactly sure where those lines are myself. If somebody makes an investment or big grant in an organization that's got a fairly risky proposition, they want to try to pursue an economic development program that no monied commercial professional money lenders will touch, and it goes down the drain, what are the prospects of saying that was an imprudent grant?

Are we just shifting some of those risks from the business side onto the charitable sector? I don't know whether that's the better public policy to pursue or not, but that's where we're headed, it seems like.

We've got our jurisdictional issues between state and federal. They're not all geographic. There are legal parameters that some confound our ability to be able to pursue, perhaps, as straightforwardly as we like. And we're just slow. Government's just slow. The bigger the government, the slower it is, Trace. No knock on the FTC, but, you know, Pennsylvania's not exactly the poster child for speed.

But it takes a lot of time and effort to get legislation through, and we've listened to how quickly these platforms, how quickly these social media things pop off. By the time we start to think about, well, maybe we ought to change the definition in the statute to cover this a little more clearly, there's already 15 new things. So I don't want to be the voice of doom and gloom, but you asked the question, so that's my take.

MARC OWENS: Thank you, Tracy. I guess it's my turn. I'm Marc Owens, and I'm going to give you my perspective on the challenges from two directions. One from the direction of the Internal Revenue Service where I used to work, and the seconds from the direction of a practitioner, which I am now, who has to advise clients on how to stay on the right side of the law.

And so the challenges from an IRS perspective, obviously, there's resources, and people think of resources in terms of budget, but a bigger challenge-- maybe a bigger challenge for the IRS, is understanding what is going on in order to address it through various guidance mechanisms. In other words, just an example, the rise of social media as a way of communicating generally in terms of achieving operational goals for a charity, as well as fund raising. The IRS has not issued any guidance on how to deal with social media, what sort of record keeping rules should be in place, things of that nature.

So there's a resource constraint from the standpoint of not having the people who can create informed sets of standards and rules. And so it's just money anymore. It's just not having enough people and people with the right skill set.

Now, from a practitioner standpoint, you know, I am constrained by bar ethics rules, accountants are constrained by the ethics of their profession, but all practitioners are constrained by something called Circular 230, which is issued by the Internal Revenue Service. It's the standards for practice before the IRS and there's a staff of investigators who enforce Circular 230.

So if you are advising clients , whether they be individuals, businesses, or charities about federal tax law and you fail to fully inform them, you fail to adequately equip them to meet the requirements of the tax law, you run the risk of violating Circular 230. What that can lead to is a series of increasing sanctions beginning with warnings on through removing your ability to practice before the Internal Revenue Service. And that removal extends to your firm. So you're out.

So it can be a fairly draconian sanction, but what it does is, it creates a need for information so that I can adequately inform my clients. If there's no information, then I don't have to worry about the ethics constraints, because if the IRS hasn't produced anything, there's nothing to warn the clients about.

So there's a challenge from the practitioners standpoint. If you know that the states are concerned about something but the IRS hasn't spoken, that puts you in a bit of a quandary. You can explain what the states are doing, but they'll say, oh, we don't fund raise in Pennsylvania. OK, well, then what Mark Pacella is concerned about is kind of irrelevant. So the challenge from the practitioner's standpoint is figuring out what the rules are.

MARK PACELLA: They're probably lying Marc, but, you know.

MARC OWENS: So that's it. I'll probably be talking more about this subject a little later in the presentation.

TRACY THORLEIFSON: Andrew.

ANDREW WATT: Well, Tracey, again, thank you for inviting me to take part in this. This has been a fantastic day. One always learns more, however long one's been in the field. And I think there are two things. I think we do ourselves an enormous disservice, and I am guilty of this as well, when we talk about the sector or the community-- and we've done that all day today-- because we're not talking about a single entity. We're talking about an incredibly complex environment that is evolving and changing extraordinarily rapidly. And in every session today, we've acknowledged those facts.

So when you start talking about regulation, you're talking about regulating an incredibly complex equation. Really difficult to understand how to get to grips with that. And the challenge is compounded by the fact that non-profits, the social sector, whatever you like to call us are not, and never have been, a political priority until something goes wrong, and that therefore, politicians look at regulators as being enforcers.

They look at the regulatory powers as being punitive. What they do not see is that regulation at its best is enabling. If you want to maintain low key regulation, supportive and creative regulation, it works best, from my perspective of working in this field for 25 to 30 years now, when you have a level of working partnership between the regulated on the one side and the regulators on the other.

I've been privileged to serve on the Act for the last three years, and if I take away one thing from that, it's that successive budgetary cuts, increasing challenges with personnel make it impossible for a regulator to fulfill their required function even remotely effectively. When you compound that by looking at it through 50 different-- and this is as a Brit here where we only have to cope with four.

But if you look at 50 different regulatory environments, I think the encouraging things that we're looking at the moment, the-- initiatives that Jacob was referencing earlier on, or the single portal initiative which, when it comes through, will be absolutely huge, because then you begin to achieve some form of consistency in the position. When you have consistency and unity on the part of the regulators, then there becomes a stronger force when talking with politicians.

I mean, at the moment, we know everything is up in the air. It's not safe to make any assumptions about what the future is going to look like. But I think it's a pretty fair assumption that unified action and consistent action is going to help us in one form or another. So let's start acknowledging the scale of the challenge that we face, and then beginning to identify, I think, who our allies are and how effectively we can work together to address the scale of the problem.

TRACY THORLEIFSON: Anybody feel free to chime in with questions at any time, but I have one to start, and that is probably for the whole panel, but it's based on something Sue said. And Sue, I think you answered a problem that I think we have, and that is that because donors, consumers don't understand that they may have been deceived, they don't complain. So we don't have data and complaints that help drive case selection.

And is there a way to work with the sector to get more information about potential targets of investigation, potential bad actors, even without defining the who should actually be sued? If the sector could provide us information on organizations that perhaps didn't pass the smell test, I think law enforcers could do some investigation and make a determination, because we don't expect someone else to come and say you must prosecute, here are all the facts.

You can come to us and say this looks bad, you might want to take a look. And are there places in the sector that we could partner with to get better information about some of these outliers? Because I do think they're outliers. I think the vast majority of charitable organizations are doing good, but it would help us if we could identify for the FTC the sham nonprofits or the fundraisers who are making deceptive claims for the states, the charities that are making deceptive claims.

Allison, do you? And then Sue? Allison, I'm going to pick on you because you're from independent sector.

ALLISON GRAYSON: Great. I don't know. And I would be interested to hear what Sue has to say on this point. My inclination is that I want to add a caveat that I think a lot of nonprofit charities are reluctant to be a whistle blower because they've probably experienced first hand, possibly from a donor, or a volunteer, or someone the misuse of publicly available data to criticize either their organization or organization that they know.

And so I think there is a concern that, you know, I don't necessarily want to accuse another organization of wrongdoing because I know I don't have all the information in order to do that. So I think that may be the default for the sector is concern of misrepresenting an organization's work without having all the information, and because they're afraid the same thing will happen to them.

So I think that's the major hurdle that any type of initiative that might want to encourage more reporting by the charitable sector to regulators. They're going to have to overcome that problem, because I think a lot of nonprofits feel like I know my own organization, but I'm not going to presume to understand the operations and exactly why you have the overhead that you have.

And I think that's going to be the major challenge in any kind of system like that. But Sue. Tell me what you think about it.

SUE SANTA: Thank you, Allison.

ALLISON GRAYSON: Disagree with me.

SUE SANTA: I asked a lot of these questions when I was talking to foundation leaders. And again, I'm speaking-- independent sector's membership is very, very broad and includes both grant makers and, of course, the grant recipients. I'm speaking now from the grant maker side.

So the very first thing I found that was interesting is, I think that there was a willingness to think of how they can partner. And others on the panel have said this is going to take some sort of partnership. There's no one entity that can be charged with this./ Different pieces of information are known by different actors.

Caveat to that is part of that partnership needs to be a basic level of education on what each of these organizations does, what their capabilities are, what relationships they're willing to get in and not get in. When I mentioned to a couple I was coming to a conference that was being hosted by the FTC, they had no idea that the FTC had any interest at all in charity.

Now, remember, these are grant makers. So there's just this level of education on who's doing what and, again, what's the problem we're trying to solve for.

So I think that, a, willingness to partner, b, basic education so everybody knows and they're on the same page. And then managed expectations around what each side can do. And related to that, bringing the community in early and not imposing something upon the community that you or a couple of people think is going to be good, but really engaging and coming to a solution.

So on that, in talking to people, I found a couple of interesting examples. I don't think a formal reporting structure was really all that interesting to people. There are some models. In the state of Michigan, for example, there are liaisons that are, I believe in the governor's office, back to the philanthropic community that serve as kind of a safe space for the philanthropic community to share information.

Again, we'd have to define what that information is. I think the foundation leaders I spoke to felt pretty comfortable on the true illegal bad acting as opposed to the more qualitative effectiveness standards. But if you're just trying to, in your regulatory positions, shut down the true bad actors, some interest in maybe sharing information.

Where I saw lots and lots of interest was on the side of educating consumers. And in that regard, I found particular attention on those moments in time when we seem to see blips on the radar screen of bad actors coming in, and those are the event driven opportunities. The big disaster, something terrible happening in a community.

One foundation leader said to me why can't we be using the same channels that they're using. Why can't we use the same channels that warned me about an emergency or an Amber alert? You know, is there some way my phone can go off and remind me not to give to that organization that may call me to be really deliberate and direct people to better information? So they started to think about the role that they might play. So it's worth further exploration, I would say.

Finally, the last panel talked about these opportunities to establish-- and Liz touched on this-- establish funds before the event happened. Now, I know some may say, well, that requires a crystal ball. Except that there are certainly areas of the country where a lot of natural disasters happen. Unfortunately, terrorist activity seems to be occurring in a lot of different places, but having a plan of action in place or even the funds, at least the framework for them, pre-established so they can be set into action quickly, and there's a place to direct consumers to.

Again, I realize government entities can't necessarily endorse, but to have a safe place pre-established that consumers can feel comfortable with.

So in that regard, I think that community foundations and other organizations, established organizations and communities, could be great partners in this if we can break down a lot of the red tape and the obstacles that currently are in place.

TRACY THORLEIFSON: And almost being part of an emergency preparedness plan that a city creates.

SUE SANTA: Exactly.

ALLISON GRAYSON: Well, actually, can I add to that really quickly? There's actually an entity called Volunteer Organizations Active in Disaster that are in most states in most communities that create preparedness plans for on the ground volunteer organizations, and often, those chapters are used to help identify on the ground actors in those events. So it's also possible to look at existing infrastructure groups, which I think the last panel touched on, as resources in these types of crisis events.

ART TAYLOR: Sure. Well, I think if the bar is fraud, that's kind of a pretty low bar for our sector. So if what you're trying to figure out is which charities or which charitable enterprises are committing fraud, I don't know if you're going to find many who will just grab them, and hand them over to you, and say here it is.

But I think if the regulator community were willing to support organizations that were promoting higher order practices, and then to identify those that are outliers from those practices, you start off at a much higher level. So you start off with organizations who are already working at some aspirational level that is significantly above fraud.

OK? If we can push everybody to be significantly above fraud, maybe not outside of their ability to operate, not too aspirational, but just above fraud, then it seems to me that you can find lots of people willing to help you with that. We will be very happy to help you, for instance, identify groups that seem to miss 19 out of 20 standards or don't disclose information.

We have a product called Scam Tracker that is gaining some traction. It is a real interesting tool where people around the country with all the BBBs provide information on scams that they've seen. Some of these are, they're reporting alleged charity scams.

Happy to share Scam Tracker information with you. Of course, not all of them will actually turn out to be scams, but this is at least some intelligence that you can get from communities of people who are out there believing that they may have experienced something.

So my point is, if you're willing to operate-- if you're willing to say, you know, our job really is to find scams, but we're willing to work to identify who may be slightly above that and try to promote habits that are slightly above that, then I think we, first of all, limit the potential for fraud, but you're also able to identify outliers who may ultimately fall down to a level of fraud that you can then begin to go after and take a more serious look at.

TRACY THORLEIFSON: Andrew, I think that we were talking a little bit about that issue out in the hall. Do you have anything to add to this?

ANDREW WATT: Well, a couple of things. Thanks, Tracy. I mean, the first is that I think these are times when we're not going to see budgets increasing. Therefore, I think we need to take a long, hard look at the tools that are currently available and wonder whether or not we can make better use of them. Now, the single portal, I think, is one of those areas where a big difference could be made if it could be moved forward reasonably swiftly.

A second one, and I appreciate this is a bit like the holy grail, but mandatory online reporting. The 990. If we can get to the point where we have consistent, readily searchable data, we can begin to isolate trends, we can isolate key indicators, we can flag particular practices that will help us to understand much faster whether an organization is failing. I hate to use the word fraudulent or just above fraud. Even that's a pretty low bar by Art. I mean, we're meant to be preserving the public trust here and setting an example. So those are areas.

But I think one of the things that Tracy knows I was talking about to her and bumping my guns to her earlier on about is my firm belief that the vast majority of the population of this country and any other where there's a vibrant and critical third sector, social sector, is that people are massively ignorant about what the good ones look like.

I mean, you can go to CNN and the "Tampa Bay Gazette," America's 50 Worst Charities. That pops up. You can look at what happened following the suicide of Olive Cooke in the UK, what, 2 and 1/2, 2 years ago now, and you will find a slew of commentary on all of those. The public thinks it knows what a bad apple looks like, and its opinion is formed from a very weird variety of sources.

But what the public doesn't know is what a good organization looks like, how you would define that, what the hallmarks of that are, and I think that that's a very challenging area for us to get to grips with, but I think we have to do it because you can't define bad actor, or can't define bad practice unless you have some kind of understanding of what good practices.

SUE SANTA: Can I just make a quick comment, because I'm hearing some of the foundation leaders in my ear right now who would say to me, the role of government is to shut down the bad actors. The sort of hard stuff is to enforce the law, and that's what the government should do take the lead on. Regulators should take the lead on that, perhaps with the philanthropic community, the charitable community helping in some way to inform and to help the regulators do that better.

It is the role of the philanthropic field, the charitable field to do, I think, what Andrew is discussing, which is to hold up this more qualitative level of what is good. Above fraud.

ANDREW WATT: Yeah. Above fraud. First, all the bad actors go away. Now you've got good actors. Right? So among the good actors, who are the best actors? Who are just good? I think that's for the field, maybe with regulators giving a nod and saying, yeah, good work. Go get them. But I just want to be sure we're not suggesting, or at least it'd be my opinion that we shouldn't suggest necessarily that regulators get in the business of this qualitative side, because I think that's a very dangerous path to have the government involved in that level of the private sector.

MARK PACELLA: Right. Right. I think all of us on the regulatory side agree with that.

SUE SANTA: OK, good.

MARK PACELLA: I just got to say this, because I think we heard in the earlier panel that most of the people who give donations give little tiny bits of donations. $20, $30, $40. I don't know if there's any regulators in the room, but it won't surprise me if you tell me that you can't remember the last time you got a call from an attorney representing a donor or something that had been deceived and made a $10,000 donation to a scam charity.

Those donations, those planned givings, the people who give to large or create large private foundations for instance, medium sized foundations, they're pretty well covered. The kind of stuff that I think we're talking about, whether we bother to specify it or not, is these moment to moment donations that people give when they're asked to make a donation when they receive a direct mail piece in the mail or whatever.

And I'll just use a collective We with a capital W. I mean, I think we've failed miserably in terms of educating the public and donors in terms of the sorts of things that Andrew just discussed. We learned from the Supreme Court opinions that I think the conference started off with that we can't compel these disclosures, et cetera, at the point of solicitation that the constitutional avenue for us is for the government to collect all this information, make it public.

We can disseminate it. That's OK with the Constitution. But we can't compel this disclosure at the point of solicitation. So the burden falls to us, and the other side of that coin is the burden also falls on donors to try to inform themselves before they make a donation. I've been in the office for decades. We've got a toll free number in Pennsylvania that we encourage people to call when they get solicited. Check before you write that check. We've all got our 10 Points of Wise Giving Guides, and that sort of stuff.

And if you go back and look at the information that we've been collecting, at least in Pennsylvania, and I'm sure this is true for New York and some of the other states that do these reports, the efficiencies, the high fundraising costs, the organizations that I think we might consider to be on the fringe, I mean, they're still there. There hasn't been any real impact, from what I can tell. And I suspect that we have to deal with the reality that-- I don't know if you want to call it donor apathy, but I don't know that people are giving.

They're not making that $35, donation that $50 donation, because they're critically concerned about what's going to happen to that $50 donation that they make. I think they give it sometimes because they were asked in front of one of their kids or some of their friends. They don't want to look like they're not generous. They just might want to get the person off the phone. Or they might just feel a little guilty about questioning the motives of the person who's asked.

I mean, there's a gazillion reasons why people behave the way they do. I think we're sort of at least assuming that a big part of how people give is based on the kinds of things that we think they ought to be concerned about, and at least I think we should look at what experience tells us, and I don't think that's what's motivating people to give.

As far as consumer education, it has to be as incessant, in my view, as the flood of solicitation requests that people get. When we see that thing that came out of the Florida newspapers about the 50 worst charities and everything, and the disasters that trigger big media feeds and stuff, yeah. There seems to be a lot of positive media, and we actually get some complaints.

We might be able to file suits against those organizations or look at the people on the list and stuff, but that tends to go away. What doesn't go away is that direct mail keeps coming in, those phones keep ringing, people keep getting tapped for a donation, and the moment sort of fades away and people start to forget. And they go back into the same practices as before. So.

ART TAYLOR: Well, I think you're right. People give for a variety of reasons, some of which have nothing to do with how effective or how impactful the gift will be. They give because maybe it just feels good, and I think there was a speaker earlier today from the UK who pointed all that out, which I thought was fantastic.

So maybe all of us could spend more time encouraging good charity practices, whatever they are. And I'm not going to define them here, but I think together as a sector, an independent sector led a pretty robust practice to identify practices for good governance and ethical behavior. You could start with those. You could start with the ones we use. I mean, they're not that different, and they're not that hard to come up with.

The question is how do we work together to encourage that behavior on the part of charities. And I would argue that we don't have a huge hurdle. There are probably many organizations that, if you were to do the evaluation of them, would fit those guidelines. Some of them wouldn't. Some of them probably just don't know about it, and if they did, they might change.

But it's probably going to be continually harder to identify fraudulent groups. So what I'm suggesting is let's try to eliminate the risk that organizations might devolve to that so that when we're looking at a charity, we can see pretty easily which ones are more likely to be engaging in the kind of behavior that could lead to fraud. And it doesn't have to be the regulator saying we're getting into the business of setting best practices or standards, but I don't see any reason why you couldn't encourage those entities, and encourage those activities, and uplift them when they occur without naming them and owning them yourself.

TRACY THORLEIFSON: So we have 10 minutes and change left, and the title of our panel is Possibilities and Priorities. So I'll challenge each of you, maybe starting with Andrew this time, in 60 seconds or less talk about either possibilities for future enforcement and regulation, or priorities that you think we should establish.

ANDREW WATT: OK. Less than 60 seconds, I think standardized online reporting would open up so much for us. And I think with that, the second is what we've just been talking about, is somehow working out how collectively we can educate the public better as to what to expect from best practice as opposed to bad practice.

TRACY THORLEIFSON: Marc.

MARC OWENS: I think there's an unused tool, and that is something called the Internal Revenue Manual. It's a public document. It's not intended as taxpayer guidance. What it is are instructions to revenue agents on how to do their job. And when I was at the IRS, I used it to change behavior of attorneys and accountants by writing provisions in the Internal Revenue manual that told revenue agents what to ask when looking at issues.

It's a public document, and so you effectively co-op the legal profession and the accounting profession into communicating your concerns to the organization, and so it's not a directive, but if the lawyer has to tell his or her client that the IRS is looking for x, then chances are the client is not going to do x.

So the IRS takes suggestions. So if the sector or NASCO wanted to address the knowledge deficiency of the IRS in the area of fund raising, particularly modern social media fund raising, one way might be to suggest audit guidelines to the IRS.

What questions should revenue agents ask? What documents should they expect to see that reflect the use of social media or crowd funding? Where can they find those documents? Can they go to third party sources to ask them, what's called a third party record keeper summons? In other words, provide the suggestions for directives that the IRS might publish in the Internal Revenue Manual that would tend to drive the behavior of the advisors of charities. Just a thought. Or robocalls from Mark Pacella telling you--

MARK PACELLA: I'm writing. I'm stealing from Owens. I'm writing down some notes here. Well, this is probably going to sound like a cliche. I think that a lot of what confounds us, what we've talked about today is just how technology keeps driving everybody in different directions and keeps challenging past understandings and past regulatory schemes and that sort of thing.

To Andrew's point, I think technology holds a tremendous amount of promise for the other side. I mean, I think it may create challenges, it may create problems. I think it also has an incredible potential that we have yet to tap because we don't have all this digitized big data ready to go and all that sort of stuff yet.

But I do think we can search the web, we can look for web pages ourselves in a way that it's difficult to find a direct mail piece if nobody has one. It's difficult to recreate a telephone call if you can't actually get that call or if nobody's recorded it and stuff. But people who use the internet and stuff always leave a trail. We can do affirmatives searches on the internet. We can find people that are actually out there. Not in every instance, but for most of the kinds of stuff we're talking about today, there's real potential there.

I don't know if we can really exploit the single portal once it's up and going and stuff, but I think that's going to be a pretty interesting time. I hope it happens before my career's over. I don't know if that's in the cards or not.

And beyond that, I think the experience we've all had, Trace, with the cancer fund litigation. I think we might have been a little too willing to acquiesce in the fact that, well, the FTC has no jurisdiction over charities and so there really isn't any value and there's not much that we can do together. I think that case showed that, no. Actually, in some of the worst cases that we would all, I think, set the priority on, that that's something that we could probably work more on.

So as mind numbingly difficult as those cases can be-- it's like herding cats-- we probably ought to continue to try to hone that model.

ART TAYLOR: I just want to posit that the regulator community has a lot of friends in the charity sector, and I believe you all need to leverage it. If you ask, you will get. And I know a lot of us want to work with you, and look forward to working with you, and think that together we can do a lot of good work to protect donors and to show charities what they need to do to demonstrate their trustworthiness.

I don't know how you would orchestrate a collaboration nationwide among yourselves. Probably through NASCO with other ways as well, but I think you need to put it out there that you're open for collaboration and leverage of the goodwill that you have, because none of us want to see fraud in our sector. I just don't believe we do.

I think certainly every organization that came here today believes that we're all better off if we don't have those kinds of activities going on in our space. So we want to work with you, and so I would just offer that as my number one recommendation.

SUE SANTA: So I want to reflect on something someone said in, I think, the last panel around the role of the private sector and private dollars in coming to social solutions, and I think that that is an increasingly important thing for us all to remember that it really is kind of the role of the private side to come up with the solutions that then partner with government to help then carry out, and execute, and bring to scale, and all that language gets used.

So with that in mind, it's incredibly important that consumers, individuals, whatever we're going to call, consumers, post-consumers, whatever they're going to be, have confidence in the integrity of charitable organizations.

I think the philanthropic institutions, the grant making institutions feel that very strongly. I think they are there, much as Art is saying. You have a lot of friends, a lot of potential partners out there, collaborators, and please look to the grant making organizations who know a lot about their communities and what goes on there, who can help identify not just the current problems, but maybe the trends that they're seeing. They're interested in helping to find solutions and perhaps work together.

There are wonderful organizations. Art's, many of those that have been here today. Independent Sector is a fabulous channel to the community. Council on Foundations. There are regional associations of grant makers. So there are lots of ways to channel or rein these conversations, and I strongly encourage that.

I also just wanted to highlight that there are standards programs. The independent sector standards were noted for best practices. Also, for community foundations, many of you know there are National Standards for US Community Foundations. Over 500 community foundations are accredited in that program. It's an incredibly vigorous program. So those are great partners for you to look to, because they're all about best practices.

I know the state of Maryland has a set of standards at the state level. So all I want to say just throw some ideas out here, but there are lots of opportunities here that I think we can all explore together.

ALLISON GRAYSON: And I'll try to be brief. I have just a couple. One that has already been mentioned is this idea of streamlining and creating unified online reporting. The single portal initiative is definitely an excellent example of that. There's also being work done through the implementation of the Data Act at the federal level, and there's actually something called a Section 5 Pilot trying to help streamline financial reporting from nonprofits.

The flip side of that that I would add is making the data that's reported transparent, both to the public, to academics. I mean, that's how we start doing the mining of what does this data mean and find trends. So data transparency would be helpful.

I also want to echo Sue and Art talking about partnering with the sector. I think, from my perspective, I question the utility of donor education, but I think that sector education, charity education is ripe for opportunity. In particular, we talked earlier today about how a lot of organizations maybe aren't trying to fraudulently deceive donors, but they definitely are not in compliance with the law, often out of ignorance or just not executing something appropriately.

So the extent to which regulators and donor education groups can also help the charities that they work with understand Better Business Bureau Wise Giving Alliance's 20 standards, independent sector's 33 standards. These are all guideposts to help these organizations think through what they should be doing. So that that's less work for regulators down the road. Right?

And then the third one that I'll add, which is a much lower priority-- those are my top priorities, but if I wanted to add something just for fun that I'd like to see in the next 10 years is continuing the conversations that we started today, and maybe getting more research around what does this idea of the blurring of the boundaries between the sectors mean for donors, and the donor experience, and how they behave.

I question whether or not they really know, at some point, are they giving to a charity, or an individual, or another entity, and if they do pull all of these funds from kind of a finite resource of excess income, what does that mean for how we are choosing to funnel revenue to social good in our communities. So I'd love to see more research in that.

TRACY THORLEIFSON: And with that, I will just say that-- we are at 00, but I want to say something that, what Art said-- if you ask, you will get-- is exemplified by this panel and this whole conference, because everyone who came, nobody got paid. They all gave of their time, created the presentations, delivered their talks, and were extraordinarily gracious to come here and share with us. So thank you all for your time.

CHUCK HARWOOD: If you'd just stay there and we'll finish up right now. Tracy, I'm behind you here. So I'm Chuck Harwood, the director of the Federal Trade Commission office in Seattle. I just wanted to thank and acknowledge a few people here in closing remarks. First of all, I want to thank those of you who came to the conference today for your interest or engagement. I want to thank those of you who tuned in on our web feed. I want to thank those of you who followed our Twitter feed and our great tweet artist over there, Nicole Jones. Thank you so much for your efforts in that regard.

I want to thank Lois Greisman, the director of the Division of Marketing Practices. Lois has been supportive of this effort from last year some time. Of course, things have changed a lot since then in Washington DC, but through it all, we've had Lois' support, and that means a tremendous amount to those of us who put this on.

I want to thank NASCO, NASCO's board, and its esteemed president, Karen Gano for her support, her interest, and her efforts. And indeed, I want to thank all the states who joined in helping us put this together. We couldn't have done it without you in many different ways. You know most of them, I'm sure, but it's because of you we could do this.

And finally, I want to thank two other people. I want to thank Janice Kopec, who led the previous panel and is somewhere around here right now. I don't know where she is, but I saw her. Yeah. There she is right over there. Thank you, Janice. Janice works here in Washington DC and was a key part of this initiative and putting this together.

And finally, I want to thank Tracy Thorleifson. Thank you, Tracy.

[APPLAUSE]

Tracy has been at this for a few years now, and can recite the entire history of the FTC's role in this area, because she is the history of the FTC's role in this area, largely. And it's been an incredible pleasure to work with her through these years. I've learned a lot, and the agency has benefited, and actually, I think, America has benefited from having Tracy in the role she's in and doing the work she's done in connects with nonprofit sector.

So I just want to finish by nothing a couple other things. We talked a lot today about a couple different narratives. One narrative was what we do about-- to use one of the words the panelists up here-- bad actors, things like that. The fraud, deception, those kinds of things. So those of you who are regulators, those of you who are law enforcement officials, you know that we'll be getting together tomorrow to talk more about that area.

I suspect many of the topic things we've heard about today will help guide us, will help us move forward and connection with that effort. Oh, and by the way, hang onto your name badges, please, because we'll need them tomorrow. This is a government agency, after all, so keep those.

And then the other piece I wanted to mention, the other narrative that we heard today-- and on this, I'm sort of channeling, I think, Art Taylor and Sue a little bit, and that's the narrative about change. The incredible change that's happened in this sector, and the obligation that everyone faces who's associated with this sector. And I know that Andrew questioned the use of sector, but I'm too tired to think of another word right now. So the sector.

The incredible change that's happened in this sector, and importance that all of us have, both members of the sector, the watchdogs who oversee the sector, the NGOs and the regulators and law enforcers with respect to helping us guide us towards the future and making sure that the promise that we heard about today, the opportunities for greater transparency, for more giving opportunities, more giving channels, more donor empowerment actually come to pass.

And in that piece, the FTC wants to be a part of that effort, wants to be part of that dialogue, and we look forward to working with all of you in the future. Thank you very much.