

## Syllabus

PPS 280S.01; LAW 585

Philanthropy, Voluntarism, and Not-for-Profit Management

Department of Public Policy Studies and the School of Law  
Duke University

Spring Semester, 2011  
Wednesdays, 8:30 a.m. until 11:00 a.m.

Sanford 003

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This syllabus will guide our proceedings, gently and flexibly. Although I may adjust it as we proceed, I do not anticipate major departures. I will advise you of significant changes, if any, at least a couple of weeks in advance.

### **BOOKS TO PURCHASE:**

James Fishman and Stephen Schwarz, Nonprofit Organizations: Cases and Materials, 4th ed. Foundation Press, 2010.  
Brian O'Connell, ed., America's Voluntary Spirit: A Book of Readings. The Foundation Center, 1983.  
Jim Collins, Good to Great and the Social Sectors: A Monograph to Accompany Good to Great. Jim Collins, 2005.

Most required readings, except for Fishman/Schwarz, O'Connell, and Collins, will be available on the course Blackboard site. The items listed "for further reading" are not assigned; they are available either in the files in my office or on the library electronic databases. As new articles of importance are published during the semester, they will appear on the Blackboard site or be circulated in class; please check the Blackboard site regularly for announcements regarding additions or changes to the reading assignments. I will also distribute additional clippings or readings every week, not intended to be assignments but to be illustrations that will inform class discussions. I encourage members of the class to communicate with one another and with me via e-mail in between class sessions so as to enrich class discussion and participation. My e-mail address is [joel.fleishman@duke.edu](mailto:joel.fleishman@duke.edu). Patrick Sabol and Jamie Attard, the teaching assistants for the class, will be available throughout the semester to answer questions about locating the course materials. Pat can be reached at [patrick.sabol@duke.edu](mailto:patrick.sabol@duke.edu) or at 216-469-0258. Jamie can be reached at [jamie.attard@duke.edu](mailto:jamie.attard@duke.edu) or at 919-949-1925. If you wish to make an appointment with me, please call Pam Ladd, my assistant, at 613-7376. I am usually available in my office at Duke, Room 239 of the Sanford Institute, on Wednesdays only.

The World Wide Web is a rich source for information concerning philanthropy. In addition to the occasional reading additions that will appear on the course Blackboard site mentioned above, the site also has a collection of numerous links to websites important in the nonprofit sector. Please take time to explore these websites throughout the semester.

Also, the Chronicle of Philanthropy will be distributed throughout the semester for you to browse. During class, I will identify articles of primary importance, identifying trends or major events occurring in the philanthropic world.

### **GENERAL RECOMMENDED READINGS (not required)**

- David Borenstein, How to Change the World: Social Entrepreneurs and the Power of New Ideas, Oxford University Press, 2004.
- Patricia Illingworth, Giving Well: The Ethics of Philanthropy, Oxford University Press, 2011.
- Paul C. Light, The Search for Social Entrepreneurship, Brookings Institute Press, 2008.
- Paul C. Light, The Four Pillars of High Performance: How Robust Organizations Achieve Extraordinary Results, McGraw-Hill, 2005.
- Ray Bacchetti and Thomas Ehrlich, eds., Reconnecting Education & Foundations: Turning Good Intentions into Educational Capital, San Francisco: Jossey-Bass, 2007.
- Matthew Bishop and Michael Green, Philanthrocapitalism: How the Rich Are Trying to Save the World, Bloomsbury, 2008.
- Elizabeth T. Boris and C. Eugene Steuerle, Nonprofits and Government, 2d ed., Urban Institute Press, 2006.
- David Borenstein, How to Change the World: Social Entrepreneurs and the Power of New Ideas. Oxford University Press, 2004.
- Dana Brakman Reiser, "Director Independence in the Independent Sector," 76 *Fordham L.Rev.* 2, 795-832 (2007).
- Paul Brest and Hal Harvey. Money Well Spent, Bloomberg Press, 2008.
- Arthur C. Brooks and James Q. Wilson, Who Really Cares: The Surprising Truth about Compassionate Conservatism -- America's Charity Divide—Who Gives, Who Doesn't, and Why It Matters, Basic Books, 2007.
- Leslie Crutchfield and Heather McLeod Grant, Forces for Good: The Six Practices of High-Impact Nonprofits, New York: Jossey-Bass, 2007.
- Joel Fleishman, The Foundation: A Great American Secret. New York: PublicAffairs Books, 2009 (paperback).
- Marion Fremont-Smith, Governing Nonprofit Organizations: Federal and State Law Regulation, Harvard University Press, 2004.
- Peter Frumkin, Strategic Giving: The Art and Science of Philanthropy. University of Chicago Press, 2006.
- Christopher Gergen and Gregg Vanourek, Life Entrepreneurs: Ordinary People Creating Extraordinary Lives, Wiley, 2008.
- Giving USA 2010: The Annual Report on Philanthropy for the Year 2008. AAFRC Trust for Philanthropy, and Indiana Center for Philanthropy.
- Paul Light, The Search for Social Entrepreneurship, Brookings Institute Press, 2008.
- Dan Pallotta, Uncharitable: How Restraints on Nonprofits Undermine Their Potential (2008).
- Walter W. Powell and Richard Steinberg, The Nonprofit Sector: A Research Handbook, Yale University Press, 2006.
- David Borenstein and Susan Davis, Social Entrepreneurship: What Everyone Needs to Know, Oxford University Press, 2010.
- Tom Tierney and Joel Fleishman, Give Smart: Philanthropy that Gets Results, Public Affairs, 2011.

### **FOUNDATION IMPACT RESEARCH GROUP**

Students are encouraged, but not required, to attend seminars held almost every other Wednesday afternoon at 4:30 p.m. in the Rhodes Conference Room with the Foundation Impact Research Group. The purpose of these seminars is to stimulate faculty and student research on strategic choice-making of foundations and the more precise measurement of foundation impact in society. The FIRG dates and speakers are listed throughout the syllabus and will be announced in class.

### **COURSE OVERVIEW**

The scope of this seminar is as broad as the idea of the voluntary society itself, with particular attention to the American version thereof. The central question to be addressed is the extent to which, and how, a large number of people of varying ethnic, racial, religious, and cultural backgrounds, living together in a country, state, or city, governed by democratically elected officials, can or should rely on organized or unorganized voluntary action by citizens to fulfill both their own individual needs and the needs of their respective communities. In the wake of the September 11th challenges to American society, as well as in the midst of the most serious downturn in the nation's economy since the Great Depression of the late 20s and early 30s, the role of the not-for-profit sector in bringing Americans together across the lines that divide us is all the more important.

To explore that question we will examine alternative allocations of responsibility for solving particular problems -- voluntary, not-for-profit, for-profit, joint public/private, publicly encouraged/subsidized, and publicly coerced -- along with examples, reasons, and theories for particular forms of organization. We will probe what it is that motivates donors and volunteers to give money and time, and to assess not only their effectiveness in solving or ameliorating problems but also the comparative praiseworthiness of their respective motives. Private, community and corporate foundations, as well as the tax-exempt organizations to which they and other donors contribute, are part of the inquiry, especially as to their goals, decision rules, governance, and public accountability. We will continuously examine the framework of public policy

that embodies public judgments about the desirability of allocating some part of the burden of social problem-solving to voluntary organizations alone or in partnership with public organizations, as well as the tax policies that are crafted to facilitate such problem-solving policies. We will also examine the laws defining the boundaries between permissible and impermissible action by not-for-profits. Because of the growing demand for accountability of the not-for-profit sector in general, and of foundations in particular, we will focus throughout the course on the extent to which foundations are achieving social impact commensurate with the tax benefits they and their donors are receiving. We will also examine the social utility of perpetuity in foundations as opposed to a more rapid distribution to society of foundation assets than the usual minimum payout of 5% of asset value. Finally, we will address a more recent concern in the not-for-profit sector—prevention of terrorist funding through foundations and other not-for-profit organizations.

The class will be conducted as a discussion seminar, with so-called Socratic dialogue as the dominant practice. You will be expected to know the central ideas in the assigned readings and to be prepared to answer questions about them. Class attendance will be recorded and the quality of your participation in class discussion will be noted.

**No laptop computers will be permitted for use in class.** Laptops are distracting and impede the quality of the seminar, which relies heavily on class discussion.

The principal reason this course is a seminar rather than a lecture stems from my hope to help enable you to learn better writing through careful analysis of good ideas about public policy. Five weekly papers, of not more than five pages double-spaced, are required, beginning with the second class. Please note that no paper is required for either the January 19 or February 9 class. As your paper is intended to help you frame the readings of the week, it must be submitted in time for me to correct it and return it to you at the class in which the readings you write about are discussed. To meet that schedule, each week's **papers must be e-mailed to me at [joel.fleishman@duke.edu](mailto:joel.fleishman@duke.edu) by 4:00 p.m. on the Sunday before class as Word attachments only.** I will correct them and return them to you, graded, at class the following Wednesday, with detailed comments on grammar, syntax, style, and usage.

For all sessions except as specified in the syllabus section on each class, I will expect you to use the assigned paper both to synthesize and criticize the main ideas presented in the required readings. As this seminar offers you an opportunity to help you improve your writing, spelling and syntax by learning from the mistakes of others as well as your own, we will spend the first part of the five class sessions for which papers are required in discussing writing transgressions frequently committed, without identifying the individual grammatical miscreants.

**In addition, a term paper of approximately 25 pages will take the place of a final examination. It must be e-mailed to me at [joel.fleishman@duke.edu](mailto:joel.fleishman@duke.edu) by 4:00 p.m. on or before Monday, May 2<sup>nd</sup>.** It is my practice to keep clean copies of student papers, so you will be asked to resubmit a corrected version of your paper after I have returned it to you corrected and graded.

Your term paper should present a careful analysis of any significant issue affecting foundations or nonprofits that is of particular interest to you. It could be one significant achievement of a foundation or a group of foundations working together in bringing about, or trying unsuccessfully to bring about, a major change in public policy, or in pioneering what eventually became widespread practice in an area that affects the public interest. You may also focus on the strategy of a community foundation in dealing with a significant problem within the area of the foundation's geographical focus. If you choose a particular foundation initiative, your paper should also assess the strengths and weaknesses of the strategies implemented by that foundation or group of foundations for taking the achievement(s) to relevant scale. You should also feel free to write your paper on such issues as the investment policy of foundations, including whether it is beneficial to their purposes to use social investing criteria, program-related investments, and/or mission-related investing. If you choose this topic, it's imperative that you gather empirical data on the different rates or returns that foundations have achieved in comparison with investment policies that do not include social investing criteria. Your paper should also provide as much empirical data on impact as you can obtain with reasonable effort. I will be happy to introduce you to persons at the foundation, foundations or nonprofits about which you are writing who can give you access to such documents or data as you need. What topic you choose is entirely up to you. But, as outlined below, you must obtain my permission before starting any research or writing on the topic.

You may review the case studies as published on the Duke Foundation Research Program's website (<http://cspcs.sanford.duke.edu/>) for brief analyses of historic foundation initiatives to spark your thinking. Among the relatively recent themes and approaches you might consider are donor experimentation with for-profit entities to carry out their philanthropic endeavors fashioned as social entrepreneurship and alliances between foundations and governments, foundations and business, or foundations and public charities or other foundations to achieve shared objectives.

One of the topics of which I am currently working on relates to foundation spend-down. To date I have identified 50 such foundations in spend-down mode. A potential area of focus for your term paper could be to select one of these foundations and to detail from your own perspective and that of the foundation, the intended legacy of the spend-down initiative.

If you prefer to do your term paper on some other topic related to this course, feel free to discuss your proposal with me, but you must have my approval before proceeding. Possibilities include analyzing ongoing proposals for reform in the nonprofit sector, proposing your own reforms that balance the interests of accountability and flexibility or effectiveness, or evaluating the various forecasts of tremendous upcoming intergenerational wealth transfers and the implications for the charitable sector.

IT IS ESSENTIAL THAT YOU THINK ABOUT POSSIBLE TOPICS AS SOON AS POSSIBLE AND CLEAR TOPICS WITH ME BEFORE BEGINNING RESEARCH. FOR YOUR OWN BENEFIT, I NEED TO BE CERTAIN THAT YOU ARE NOT TAKING ON MORE THAN YOU CAN DO AND ARE FRAMING YOUR TOPIC IN A WAY THAT MAKES SENSE IN THE CONTEXT OF THIS SEMINAR. Think about your term paper topic now and plan to start researching it before spring break. That means that you should clear your topic with me no later than March 2<sup>nd</sup>.

The weekly papers will be graded on a scale of 1 to 12, with 10 generally equivalent to an A. The grades will be recorded, along with one's presence or absence in class and the quality of one's contribution to class discussion. The term paper will also be graded, but on a scale that is in accordance with the grading system of Trinity, the Graduate School, or the professional school in which you are enrolled. Grades on the weekly papers and class participation will together constitute 75 percent of the term grade, and the grade on the term paper will supply the other 25 percent. Please note that, in the past, students have sometimes received grades as high as 12 for exceptional performance on the weekly papers. In prior years, students who received an average grade of 10 on the weekly papers have not necessarily received an A or its equivalent for the course because overall grades for the course are required to be curved.

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## CHRONOLOGY

### I. WEDNESDAY, JANUARY 19, 2011 -- INTRODUCTORY SESSION: AN OVERVIEW OF THE COURSE

#### Study Questions (Topical Issues Recurring Throughout the Course):

1. Should not-for-profit organizations, including foundations, be made more accountable to the public, and, if so, why and how? What are the arguments against too great an increase in accountability to government? From what source, if any, do foundations derive their legitimacy in general, as well as in efforts to effect change in public policy in particular?
2. Consider the pros and cons of the charge that foundations, which are substantially unaccountable to the public, improperly shape public policy. To what extent should the public encourage or discourage initiatives in policy-related fields by foundations, given their lack of accountability to the public? What are the arguments for and against? Are foundations viewed as more or less legitimate than other kinds of non-for-profit organizations?
3. How effectively do not-for-profit organizations, including foundations, perform their responsibilities? How can they or we measure their impact? Can metrics of impact be developed, and, if so, how? Are there ways of increasing the effectiveness of foundations without adversely affecting their freedom to benefit society according to their own views of the public interest?
4. Should the minimum private foundation five-percent annual pay-out requirement be increased, and, if so, to what level?
5. Should financial services companies be restricted in creating public charities that compete with community foundations?
6. What are the arguments for and against placing a ceiling on endowments? Should universities, foundations, and other endowed entities be permitted to increase their endowment in perpetuity with no limitation on size?
7. What are the relevant standards of propriety for the amount of compensation to be given to not-for-profit executives? What are the appropriate comparison groups for the salaries of large foundation, hospital, and university presidents? When is it appropriate to use for-profit salaries as comparisons? When are such salaries excessive?
8. How is the Internet changing the ways in which charities raise, maintain and deploy money and volunteers? Does the Internet offer better means of improving the accountability of foundations and other not-for-profits to the public?
9. By what decision rule can America decide which social functions should be performed by which sectors—public, for-profit, not-for-profit...either separately or in some combination of two or three?
10. What do we know about percentage of giving by income group? What might be done to increase giving by the wealthier?
11. What are the pros and cons for extending income tax charitable deductions for non-itemizers?
12. In humanitarian crises, as in Haiti, there have been repeated conflicts between humanitarian organizations and governments. How does one decide on the proper roles of non-governmental organizations in countries governed by reportedly corrupt, inefficient or disabled governments?

#### Main Questions To Be Discussed During The First Class Session:

1. Why are you interested in taking this course?
2. How does each of you perceive the role of the not-for-profit sector?
3. Why are you interested in learning more about the not-for-profit sector?
4. What kinds of experience have you had in working or volunteering for nonprofit organizations?

#### Required Reading: (10 Readings - 97 Total Pages)

- Fishman/Schwarz, 1-45.
- William Foster and Susan Wolf Ditkoff, "When You've Made Enough to Make a Difference," *Harvard Business Review*, January 2011, p.1-8
- Bob Herbert, "Winning the Class War," *New York Times*, 11/26/10, p.1-3.
- The Nonprofit Research Collaborative, "November 2010 Fundraising Survey," 12/19/10, p.1-2.
- Nick Bunkley, "Debt Rising, a City Seeks Donations in Michigan," *New York Times*, 11/19/10, p.1-2.
- James Gallagher, "Stalled Economy Offers Nonprofits Fiscal Pain," *Triangle Business Journal*, 10/29/10, p.1-4.
- William D. Cohan, "The Power of Failure," *New York Times*, 11/26/10, p.1-2.
- Elizabeth T. Boris and C. Eugene Steuerle, Nonprofits and Government, 2d ed., Urban Institute Press, 2006, p.1-31.
- Ron Lieber, "Colleges Are Not Going Hungry, But Are In Need," *New York Times*, 11/29/08, p.1-3.

- The Foundation Center, "2009 Saw Record Decline in Foundation Giving – Giving Likely to Remain Flat in 2010 and 2011," 4/16/10, p.1-2.
- Stephanie Strom, "Wall St. Fraud Leaves Charities Reeling," *New York Times*, 12/16/08, p.1-3.

## II. WEDNESDAY, JANUARY 26, 2011 – GOVERNANCE STANDARDS, PERFORMANCE SHORTCOMINGS, AND SCANDALS IN THE NOT-FOR-PROFIT SECTOR

**CLASS AND FIRG GUEST: CAREN YANIS, EXECUTIVE DIRECTOR, THE CROWN FAMILY PHILANTHROPIES**

For More Information: <http://www.crownmemorial.org/>

**Topic for Paper Due on Sunday, January 23, 4:00 p.m.:** Discuss the major cases included in the assigned casebook readings (*Fitzgerald v. NRA*, *Pepperdine*, *Lynch v. John M. Redfield Foundation*, *Stern v. Lucy Webb Hayes*, *Nixon v. Lichtenstein*, *Adelphi v. Diamandopoulos*, *Northeast Harbor Golf Club, Inc. v. Nancy Harris*, and *Herzog Foundation v. University of Bridgeport*), and criticize and synthesize their holdings.

### **Study Questions:**

1. Against the background of the aspirations of the not-for-profit sector observed in the previous two weeks, we also need to face the fact that the not-for-profit sector has significant recurrent shortcomings in performance. How can we best understand the reasons for these shortcomings and formulate effective policies and penalties to diminish those shortcomings?
2. Is it a scandal for the American Red Cross to decide to use for purposes other than victim relief some of the funds donated to the Liberty Fund?
3. Do recent scandals or abuses by not-for-profit organizations (e.g., Adelphi University, Bishop Estate, Minnesota Public Radio, The Common Fund, and New Era Philanthropy) reveal anything inherent in the nature or structure of the not-for-profit sector, or are such phenomena totally incidental to the nature of the sector?
4. Does the inherent nature or structure of not-for-profit organizations make abuses more or less likely?
5. Are the scandals the result of "human nature" (i.e., particular individual's inordinate desire for gain or personal power in any sector)? Are there organizational or governance aspects of the not-for-profit sector which make that sector especially vulnerable to the schemes of such individuals?
6. Who is responsible for preventing scandals and abuses in the not-for-profit sector?
7. What are the relevant comparisons in determining whether compensation paid to executives of not-for-profit organizations are excessive? What reasonable limits, if any, should exist for such compensation?
8. Can regulatory or legislative frameworks prevent scandals and abuses without undermining the desirable autonomy of the not-for-profit sector? Would any such frameworks be desirable?
9. In the absence of heavy-handed regulation, how can not-for-profit organizations be kept accountable? To whom should they be accountable?
10. What have the courts held to be the differing standards of directors' responsibility?
11. By what criteria should foundation expenditures be measured so as to ensure some reasonable accountability to the law and best principles of stewardship?
12. What legal safeguards, if any, should be enacted to protect the not-for-profit sector from being abused for terrorist or improper political purposes?
13. Is it a "scandal" for foundations, universities and art museums to allow their endowments to grow without limits?

\* Use the Internet to find as many instances of not-for-profit improprieties as you can. Start with *Lexis*.

### **Required Readings:** (19 Readings - 190 Total Pages)

- Fishman/Schwarz, 123-240.
- Rick Cohen, "Decline and Fall of the Vanguard Foundation," *Blue Avocado*, 08/03/10, p.1-6.
- Jessi Hempel, "When Charity Begins at Home," *Business Week*, 11/8/04, p. 76.
- Pablo Eisenberg, "Keeping Greed Out of Philanthropy," *Chronicle of Philanthropy*, 8/19/04, p.1-4.
- Holly Hall, "When Gifts Get Personal," *Chronicle of Philanthropy*, 10/14/04, p.1-5.
- Stephanie Strom, "Donors Gone, Trusts Veer From Their Wishes," *New York Times*, 9/29/07, p.1-6.
- "Craig R. McCoy, "Quaker Charity Sued Over a Doctor's Legacy," *Philadelphia Inquirer*, 10/8/07, p.1-5.
- Stephanie Strom, "Acorn Report Raises Issues of Legality," *New York Times*, 10/22/08, p.1-3.
- Peter Panepento, "Red Cross Marketing Deal Draws Critics," *Chronicle of Philanthropy*, 2/8/07, p.1-2.
- Stephanie Strom, "Red Cross in New Dispute Over Disaster Relief Funds," *New York Times*, 6/5/08, p.1-2.
- Stephanie Strom, "Problems Persist With Red Cross Blood Services," *New York Times*, 7/17/08, p.1-6.
- Stephanie Strom, "Report on Shriners Raises Questions of Wrongdoing," *New York Times*, 7/25/08, p.1-3.
- James V. Grimaldi and Jacqueline Trescott, "Bill Would End FOIA Shield for Smithsonian," *Washington Post*, 7/19/08, p.1-3.



- Pablo Eisenberg, "Government Must Move Quickly to Aid the Smithsonian," *Chronicle of Philanthropy*, 11/15/07, p.1-4
- Stephanie Strom, "Report Sketches Crime Costing Billions: Theft From Charities," *New York Times*, 3/29/08, p.1-3.
- Table, "Foundations And Charities That Lost Investments In The Madoff Scandal," *Chronicle of Philanthropy*, 12/23/08, p.1.
- Carrie Coolidge, "Blumenthal May Investigate Charities Ripped Off By Madoff," *Forbes*, 12/22/08, p.1-2.
- Mitchell Zuckoff, "Charities: The Foundation of Madoff's Scheme?" *Fortune*, 12/29/08, p.1-2.
- Sam Dillon, "New Jersey College Is Beset by Accusations," *New York Times*, 12/22/2009, p.1-3.

## For Further Reading

### Disaster Response

#### September 11 Response

- Emily Thornton, "The Sorry and the Purse Strings," *Business Week*, 1/21/02.
- Stephanie Strom, "A Cloud Spreads over Charities as Billions in Gifts Come with a Critical Look," *New York Times*, 9/11/02.
- C. Eugene Steuerle, "Preparing for the Next Emergency: Some Lessons for Charities from September 11," Urban Institute: Emerging Issues in Philanthropy, 2003, 1-3.
- Jacqueline L. Salmon, "American Red Cross Faces New Disaster: Underfunding," *Washington Post*, 5/19/03, A8.
- "GAO Reports on 9/11 Charities," *Washington Post*, 1/2/03, A17.
- Harvy Lipman, "71% of Americans Trust September 11 Charities," *Chronicle of Philanthropy*, 8/22/02, 75-85.
- Stephanie Strom, "Policy Change on Donations to Red Cross," *New York Times*, 6/6/02, A27.
- Katharine Q. Seelye and Diana B. Henriques, "Red Cross President Quits, Saying That the Board Had Left Her No Choice," *New York Times*, 10/27/01, B9.
- "Tracking the Disaster Relief Charities," *Forbes*, 10/29/01, 64.
- Jacqueline L. Salmon, "Red Cross Will Stop Seeking Donations For September 11 Victims," *Washington Post*, 10/31/01, A20.
- Lena H. Sun, "Red Cross To Give All Funds to Victims: Contrite Charity Changes Course on September 11 Donations," *Washington Post*, 11/15/01, A1.
- Josh Tyrangiel, "The Charity Olympics," *Time*, 11/5/01, 75-85.
- Matthew Miller, "Latest 9/11 Lesson: Government, Like Charity, Is Us," 11/21/01.
- Nanette Byrne, et. al., "Too Big a Helping Hand?" *Business Week*, 10/29/01, 58-60.
- Jon Yates, "Some 9/11 Donors Say They'll Give Less Elsewhere," *Chicago Tribune*, 10/24/01, N15.
- "Independent Sector Survey Finds Mixed Outlook on Charitable Giving," [www.IndependentSector.org/sept11/survey.html](http://www.IndependentSector.org/sept11/survey.html), 10/23/01.
- David R. Jones, "Philanthropy and 9/11: How Did We Do?" *NCRP Quarterly*, Fall 2002.

#### Hurricane Katrina Response:

- David Crary, "Red Cross Under Fire; President Steps Down," *Raleigh News and Observer*, 12/14/2005, 5A
- Jacqueline L. Salmon, "Red Cross Top Official Steps Down; Charity Says Departure is Unrelated to Katrina," *Washington Post*, 12/14/2005, A1.
- Suzanne Perry and Elizabeth Schwinn, "Pulling Back the Reins," *Chronicle of Philanthropy*, 11/9/2006, 29.

### Improper Private Inurement

#### Public Officials Direction of Public Funds to Activities From Which They Benefit

- Diane Knich, "Schools Act as Money Funnels," *Charleston Post & Courier*, 6/1/08.
- Ray Rivera and Russ Buettner, "Phony Allocations by City Council Reported," *New York Times*, 4/4/08.

#### James Beard Foundation

- Julia Moskin, "Beard Foundation Audit Shows Malfeasance," *New York Times*, 12/16/04, B5.
- Julia Moskin, "Beard Foundation's Ex-President Pleads Guilty to Stealing From It," *New York Times*, 1/25/05, B1.
- Julia Moskin, "Ex-President of Beard Foundation Receives 1- to 3-Year Term," *New York Times*, 6/14/05, B2.

#### The Bishop's Estate

- Samuel P. King and Randall W. Roth, Broken Trust: Greed, Mismanagement & Political Manipulation at America's Largest Charitable Trust. Honolulu: University of Hawaii Press, 2006.
- Alex Salkever, "Broken Trust at Bishop Estate?" *Business Week*, 11/30/98, 124-25.

- Stephen Greene, "Ousted Trustees Should Repay \$5-Million to Hawaiian Trust, Report Says," *Chronicle of Philanthropy*, 6/1/00, 32.
- Todd Purdum, "For \$6 Billion Hawaii Legacy, a New Day," *New York Times*, 5/15/99, A1, A13.
- "Top Trustee Indicted at Big Hawaii Charity," *Chronicle of Philanthropy*, 4/22/99, 58.
- Stephen Greene, "In Unusual Move, Hawaii Seeks to Remove Trustees of Embattled Bishop Estate," *Chronicle of Philanthropy*, 10/8/98, 45-46.
- Lou Cannon, "Corruption Charges Catch Beloved Hawaii Charity in Furious Undertow," *Washington Post*, 12/23/97, A3.

#### *United Way*

- "United Way Official Pleads Guilty in Theft," *News and Observer*, 2/7/03, 3A.
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### III. WEDNESDAY, FEBRUARY 2, 2011 -- DONOR MOTIVATION AND DONOR INTENT: THE GREAT PHILANTHROPISTS IN THEIR MAKING AND GIVING OF MONEY, AND THE AVERAGE AMERICAN

**Topic for Paper Due on Sunday, January 30, 4:00 p.m.:** Analyze and assess Andrew Carnegie's "Gospel of Wealth." Compare and contrast the views, motivations and practices of Carnegie with those of any one of the living philanthropists—such as Warren Buffett, George Soros, Richard Mellon Scaife, Eli Broad, Ted Turner and Bill Gates—as described in the "further readings" above. You may browse <http://www.businessweek.com/bwdaily/philanthropy/> for *Business Week's* annual survey of articles on the nation's biggest donors for an additional reference.

#### **Study Questions:**

1. Carnegie, Rockefeller, Duke, Mellon, Scaife, Turner, Gates, Soros, Buffett: Why did they give away such large amounts of money? What were their motivations for doing so? What ideas influenced them to do so? Who influenced them to do so? Their parents? What role, if any, did their education play in motivating them to do so? What role did their religion play? What did their critics say about their intentions?
2. What is your reaction to the Gates and Buffett Giving Pledge?
3. Do wealthy people give a larger percentage of their income to charity than poor people do? Do founders of foundations give from income or from capital? Do they usually get a tax benefit from doing so? What is the nature of that tax benefit, if any?
4. Do large donors seek to make money in order to give it away, or do they accumulate wealth because of greed or ambition as an end in itself? How does the motivation of the wealthy towards giving differ, if at all, from that of people of lesser means?
5. Do the motivations of donors for their giving make any difference to you so long as their deeds accomplish good for others? If so, what difference do the motivations make? If they are scoundrels or crooks in the making of their money, does that affect how you view their giving?
6. As a wealthy parent, how should you think about the question of whether and how much to give of your wealth to your children?
7. As the creator of a foundation, how would you think about the question of whether to establish your philanthropy in perpetuity as opposed to one with a limited time-span?
8. What are the arguments for and against anonymous giving?
9. As the president of a university which is offered a large gift by someone known to have been convicted of securities fraud, would you accept the gift even if you know it was motivated by the donor's wish to gain or regain respectability? How does the motivation of such a donor differ from that of other donors who give similar gifts?
10. Is the virtue of donors that arises from their giving mitigated by the fact that they receive a tax deduction for making donations?
11. Is the purpose of making available tax deductions in any way undermined by donors' decisions to make gifts consonant with their tastes, substantive interests and backgrounds, rather than with those social ills thought to be more pressing?
12. Consider the different styles of giving by different foundations and individuals. Some prefer to think of themselves as social venture capitalists who prefer to start new initiatives. Others prefer to assist efforts already under way. Some choose to support those with greatest material needs. Others concentrate on helping scholars and artists. Some foundations prefer to avoid both politics and criticism, while others see their role as activating political criticism. Some foundations prefer to cooperate on grants (indeed, seek to draw in partners), while others prefer to go it alone. Some donors seek to gain legitimacy for themselves by giving to institutions or organizations which already enjoy high public regard, while other donors are oblivious to such concerns, and still others seek to put their money and prestige behind thoroughly controversial recipients. Some donors prefer to give to many different objectives, while some choose to concentrate on one field of need. Some prefer to give only in their own community while others choose to reach out nationally.
13. To what extent are projects that greatly benefit a few individuals as worthy as other projects that benefit many more people but diffusely?
14. Are there any objective criteria of worthiness that donors can use to choose among the many competing potential recipients, or are such choices ultimately always subjective? How do individuals make these choices? How do foundations make these choices?
15. To what extent do donors' religious, philosophical, economic or political views determine how and what they give?
16. How do donors choose between giving to a rich, well-endowed university, and giving to a struggling community organization striving to help the indigent?
17. Venture philanthropy—the new philanthropy of the twenty-first century: what does it mean?



## Required Readings: (57 Readings - 213 Total Pages)

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- Judith H Dobrzynski, "Philanthropy," *Carnegie Reporter*, Fall 2007, p.35-43

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#### IV. WEDNESDAY, FEBRUARY 9, 2011 – AN OVERVIEW OF THE NOT-FOR-PROFIT SECTOR

**Note that there is no paper assignment due for the third class session:** However, please consider the following question for discussion in class.

What do you see as the proper role for not-for-profits compared to government in addressing problems that affect society? Should the not-for-profit sector focus on societal problems that the government already addresses? Or should it target whatever issues their managers and founders choose? Should tax exempt status be limited only to organizations that serve critical needs, such as food and shelter, or should tax exempt status be available to a wide range of organizations, as it is today? Consider the costs and benefits of your opinion.

#### **Study Questions:**

1. What is the essential nature of the Not-for-Profit Sector, Independent Sector or Third Sector? What different connotations does each of those descriptors of the sector have?
2. How does it differ from, as well as most effectively relate to, the for-profit and public sectors?
3. What roles do philanthropy and volunteerism properly play in it?
4. What do we mean by “civil society,” and how, if at all, does it differ from what we mean by “not-for-profit sector”?
5. What are the most pressing challenges facing the not-for-profit sector today?
6. What is the meaning of civic engagement and what role does the not-for-profit sector play in facilitating it?
7. How do the events of September 11 complicate or motivate the achievement of civic engagement?
8. How much emphasis should charitable donors give to charities for the needy as compared with other charities?

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- Reina Mukai, “Foundation Yearbook: Facts and Figures,” Foundation Center, 7/21/2009, p.1.

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- Margaret Coker, “African and Middle East Donors to Clinton’s Foundation,” *Wall Street Journal Online*, 12/18/08, p.1-2.

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- Peter Baker and Charlie Savage, “In Clinton List, A Veil Is Lifted On Foundation,” *New York Times*, 12/19/08, p.1-3.
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## V. WEDNESDAY, FEBRUARY 16, 2011– INDIVIDUAL GIVERS AND JOINERS: HUMAN AND SOCIAL IMPULSES TO CHARITY, PHILANTHROPY AND VOLUNTEERISM

**CLASS GUEST: DANIEL LURIE CEO AND FOUNDER, TIPPING POINT COMMUNITY (DUKE ALUMNUS)**

For More Information: <http://www.tippingpoint.org/joomla/>

**FIRG GUEST: SALLY OSBERG, PRESIDENT AND CEO, THE SKOLL FOUNDATION**

For More Information: <http://www.skollfoundation.org/>

**Topic for Paper Due on Sunday, February 13, 4:00 p.m.:** Describe any of your activities that you regard as philanthropic, and analyze your motives for undertaking them. Describe how, at what age and at whose initiative you decided to get started doing them? Be precise about what you do, have done, or plan to do and why. Do you have any rules for your own guidance about whether to donate funds or volunteer time, and, if so, how do you decide how much? If not, how do you decide? Do you wait for someone to ask you, or do you seek out opportunities? Do you prefer to be asked? Describe the ways in which you think you have benefited by engaging in such giving and volunteering activities.

### **Study Questions:**

1. What does "philanthropy" mean?
2. What does the public response to the September 11 terrorism say about philanthropic motivation?
3. Why do we become involved in the lives of others, in mutual help activities, in altruistic community undertakings?
4. How do giving and volunteering vary with respect to racial, religious, ethnic and socioeconomic status? How might you account for the differences?
5. Why do people give money or donate time? Why do they say that they give? Why should they give? What justifications do non-givers use, and how persuasive are they? What do religion, philosophy, and psychology have to say about these questions?
6. How do different classes, races, ethnic and religious groups benefit differentially from different sub-sectors of the not-for-profit sector?
7. Consider how life events such as one's illness or the illness of a loved one attract individuals to give or raise money for various causes (e.g., disease research). Similarly, consider the notion of "give back," which attracts alumni to give to their institutions. What other such circumstances are particularly powerful incentives to give and raise money? Why?
8. What instinctive and learned motivations exist for giving? From where do these motivations come? To what extent, if any, can such activities reasonably be regarded as self-interested?
9. How much should someone give -- a minimum percentage of income or of accumulated wealth, or only as the spirit moves them?
10. What is your framework for thinking about whether or not to give to beggars who approach you on the street?
11. Do you utilize social media in your philanthropic pursuits? If so, how and how successful have they been?

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## VI. WEDNESDAY, FEBRUARY 23, 2011 –RATIONALES FOR TAX EXEMPTION OF FOUNDATIONS AND VOLUNTARY ORGANIZATIONS; GOVERNMENT EXACTIONS IN EXCHANGE FOR TAX EXEMPTION

**Topic for Paper Due on Sunday, February 20, 4:00 p.m.:** Analyze the required readings in Fishman/Schwarz. In particular, consider the theories that justify tax exemption and how those theories apply to hospitals, institutions of higher education, the National Collegiate Athletic Association, Bob Jones University, and other organizations. Should “charity” be construed more narrowly to aid the poor or, alternatively, should organizations aiding the poor enjoy more favorable tax treatment? Should charity be construed as broadly as it is to include gifts such as the maintenance of pets or other non-human benefiting purposes? And, if so, where would you draw the line between appropriate and inappropriate purposes of tax-exemption?

**TERM PAPER: If you have not yet obtained approval for the topic of your term paper, please do so this week. The last date when Professor Fleishman will authorize term paper topics is March 2<sup>nd</sup>.**

### Study Questions:

1. What are the policy objectives of legislation establishing tax-exemption of organizations and the deductibility of gifts to them?
2. How persuasive are these policy objectives?
3. What burdens, if any, ought government to be reasonably able to impose by way of reporting requirements, taxes, financial pay-out requirements, restrictions on lobbying, or other burdens?
4. Should the tax exemption for religious activities extend to organizations which advocate discrimination on the basis of race, anti-Semitism, anti-Islam, or other widely disfavored positions? Where should society draw the line?
5. How do we decide what type of “religious” organizations are entitled to charitable deductions? Issues have been raised relating to voodoo, wicca and other “non-traditional religions.” Is there any definition of what a “religion” is that has ‘bite’?
6. In thinking about what an appropriate charitable purpose is under law, how would you define the limits? Are the limits appropriate? Refer to the Leona Helmsley and Henry George articles.

### Required Readings: (28 Readings - 186 Total Pages)

- Fishman/Schwarz, p.294-313, 1034-1038, 319-440.
- Bill Batt, “Comment on Your Book TV Interview,” 01/20/07, p.1-2
- John Simon, et. al., “The Federal Tax Treatment of Charitable Organizations,” chapter in The Nonprofit Sector: A Research Handbook, 2d ed., Walter W. Powell and Richard Steinberg, eds., New Haven: Yale University Press, 2006, p.267-99. (authors have granted explicit permission to copy)
- Stephanie Strom, “Big Tax Break Often Bypasses Idea of Charity,” *New York Times*, 4/25/05, p.1-3.
- Stephanie Strom, “What Is Charity,” *New York Times*, 11/14/05, F1, p.1-4.
- Carol Kino, “Welcome to the Museum of My Stuff,” *New York Times*, 2/18/07, p.1-5.
- Erica Noonan, “Should Nonprofits Chip In?” *Boston Globe*, 10/18/07, p.1-4.
- Stephanie Strom, “Tax Exemptions of Charities Face New Challenges,” *New York Times*, 5/26/08, p.1-4.
- Stephanie Strom, “Charities Rise, Costing U.S. Billions in Tax Breaks,” *New York Times*, 12/6/09, p.1-4.
- Peter Panepento, “Nonprofit Groups Failed to Pay \$1 Billion in Employment and Other Taxes Report Says,” *The Chronicle of Philanthropy*, 7/24/2007, p.1-3.

### Private Benefit

- Robert O’Harrow Jr., “A Contractor, Charity and Magnet for Federal Earmarks,” *Washington Post*, 11/2/07, p.1-5.
- “Protecting Yourself from Self-Dealing,” *Essentials*, Association of Small Foundations, Fall 2008, p.1-3.

### Recent IRS Reforms

- Stephanie Strom, “IRS Seeks More Charity Transparency,” *New York Times*, 6/15/07, p.1-2.
- “Policy and Practice Checklist for the 2008 IRS Form 990,” Simpson Thacher, Client Memorandum, 12/8/08, p.1-7.

### Investment Constraints on Tax-Exempt Organizations

- Ryan Donmoyer and Alison Fitzgerald, “Robin Hood Ends Investment in Board Members’ Funds,” *Bloomberg*, 7/19/07, p.1-2.
- Peter Panepento, “Foundations Press Congress on Rules for Endowments,” *Chronicle of Philanthropy*, 9/20/07, p.1.

### Appropriate Charitable Purposes for Tax-Exempt Organizations

- “About Leona Helmsley and Dog Charities,” *Helmsley Charitable Trust*, 11/20/10, p.1-2.
- Lauren A.E. Schuker, “The Firestorm Over Private Museums,” *Wall Street Journal*, 4/4/08, p.1-4.
- J. Alex Tarquinio, “Foundations Face Pitfalls When Heirs Take Over,” *New York Times*, 11/11/08, p.1-3.
- Leslie Lenkowsky, “Should A Big Bequest Go to the Dogs?” *Chronicle of Philanthropy*, 8/21/08, p.1-2.
- “Leona Helmsley: Should Dogs Get Her Fortune?” *The Week*, 7/18/08, p.1.

#### Exemption of Particular Organization Types

##### *Exemption for the NCAA:*

- Pete Thamel, “Brand Defends NCAA Tax Status,” *New York Times*, 10/31/2006, p.D1.

##### *Exemption of Political Organizations:*

- Suzanne Perry, “Election Will Bring Changes to Congressional Oversight of Nonprofits,” *The Chronicle of Philanthropy*, 10/29/10, p.1-4.
- Eric Lipton, “Congressional Charities Pulling in Corporate Cash,” *New York Times*, 09/05/10, p.1-6.
- Mike McIntire, “Hidden Under Tax-Exempt Cloak, Political Dollars Flow,” *New York Times*, 09/23/10, p.1-6.
- Janet Novack, “The Democrats’ Little Tax Secret,” *Forbes*, 10/2/2006, p.48.

##### *Exemption of Credit-Counseling Organizations*

- John Leland, “Nonprofit Payday Loans? Yes, to Mixed Reviews,” *New York Times*, 8/28/07, p.1-3.
- Amit R. Paley, “Nonprofit Student Lenders Scrutinized,” *Washington Post*, 7/19/07, p.1.

#### **For Further Reading:**

##### *Hospital Tax Exemption:*

- “Senate Finance Committee Hears Testimony on Standards for Hospital Tax Exemption,” *McDermott Will & Emory*, 9/15/2006, 1-2.
- Robert Pear, “Nonprofit Hospitals Face Scrutiny over Practices,” *New York Times*, 3/19/2006, A18, p.1-2.
- Richard Winton, “Delgadillo to Sue Hospitals that Dump Patients on Skid Row,” *Los Angeles Times*, 11/8/2006, B1 p.1-2.
- Elizabeth Schwinn, “Illinois Hospital Appeals Property-Tax Decision,” *Chronicle of Philanthropy*, 11/9/2006, 31, p.1.
- Jill R. Horwitz, “Making Profits and Providing Care: Comparing Nonprofit, For-Profit, and Government Hospitals,” *Health Affairs*, Vol. 24, No. 3 (May/June 2005), p.790-801.
- Jill Horwitz, “Nonprofit Ownership, Private Property, and Public Accountability,” *Health Affairs Web Exclusive*, 6/20/2006, W308-11.
- Erika Lunder and Edward C. Liu, “Tax-Exempt Section 501(c)(3) Hospitals: Community Benefit Standard and Schedule H” 7/31/08, p.1-17.
- John Carreyrou and Barbara Martinez, “Nonprofit Hospitals, Once For the Poor, Strike it Rich,” *Wall Street Journal*, 4/4/08, p.1-6.
- John Carreyrou, “Nonprofit Hospitals Flex Pricing Power,” *Wall Street Journal*, 8/28/08, p.1-5.

##### *Taxation Reform:*

- Charles Clotfelter, “The Effects of Tax Reform Proposals on Charitable Giving and the Nonprofit Sector,” Testimony Before the House Ways and Means Committee, 5/1/96, 1-5.
- Thomas Troyer, “The 1969 Private Foundation Law: Historical Perspective on Its Origins and Underpinnings,” Council on Foundations, 2000, 1-29.
- Rob Atkinson, “Theories of the Federal Income Tax Exemption for Charities: Thesis, Antithesis and Syntheses,” 27 *Stetson Law Review* 395-431 (1997).
- Charles Clotfelter, “The Impact of Tax Reform on Charitable Giving: A 1989 Perspective,” Paper from the Center for the Study of Philanthropy and Voluntarism at Duke University, 12/1/89, 1-36.
- Stephen Diamond, “Of Budgets and Benevolence: Philanthropic Tax Exemptions in Nineteenth Century America.” Paper from 1991 Conference on “Rationales for Federal Income Tax Exemption” at New York University, 10/10-11/90, 1-40.
- Evelyn Brody, “Legal Theories of Tax Exemption: Sovereignty Quasi and Real,” June 2001, 1-33.
- US Government Accountability Office, “Thousands of Organizations Exempt From Federal Income Tax Owe Nearly \$1 Billion in Payroll and Other Taxes,” Report to the House of Representatives, Committee on Ways and Means, Subcommittee on Oversight, GAO-07-563, June 2007.
- Bonnie S. Brier et al., “The Appropriate Role of the Internal Revenue Service With Respect to Tax-Exempt Organization Good Governance Issues,” Advisory Committee on Tax-Exempt and Government Entities (ACT),



6/11/2008.

- Evelyn Brody, "Charities in Tax Reform: Threats to Subsidies Overt and Covert," 66 *Tennessee Law Review* 687-763 (1999).

*Property Tax Exemption:*

- Evelyn Brody, "Property Tax Exemption For Charities Mapping the Battlefield," June 2001, 1-23.
- Evelyn Brody, "All Charities Are Property-Tax Exempt, But Some Charities Are More Exempt Than Others," Annual Conference of the National Center on Philanthropy and the Law, NYU, 10/29/09, 1-45.

*Other Tax Exemptions:*

- Robert Reich, "Philanthropy and its Uneasy Relation to Equality," Beyond Good Intentions: Learning to Do Good, Not Harm, in Philanthropy. William Damon and Susan Verducci (eds.), Indiana University Press, 1-40.
- Jessica Pena and Alexander L.T. Reid, "A Call For Reform of the Operational Test for Unrelated Commercial Activity in Charities," *New York University Law Review*, Vol 76, No. 6, Dec 2001, p.1855-1898.
- "FY 2007 Exempt Organizations (EO) Implementing Guidelines," US Government, Department of the Treasury, Internal Revenue Service, 11/7/06.
- Jill R. Horwitz and Marion R. Fremont-Smith, "The Common Law Power of the Legislature: Insurer Conversions and Charitable Funds," *Milbank Quarterly*, Vol. 83, No. 2 (2005), 225-46.
- Boris Bittker and George Rahdert, "The Exemption of Nonprofit Organizations from Federal Income Taxation," 85 *Yale Law Journal* 299-358 (1976).
- "Incentives for Nonitemizers to Give More: An Analysis," *PriceWaterhouseCoopers* study prepared for Independent Sector, Jan. 2001, 1-10 and addenda.
- Evelyn Brody, "Of Sovereignty and Subsidy: Conceptualizing The Charity Tax Exemption," 23 *Journal of Corporation Law* 585-629 (1998).
- Evelyn Brody, "A Legal Scholar's Perspective," *NVSQ*, 6/99, 218-226.
- Tammy Reiss, "The Web for Free? Not So Fast," *Business Week*, 8/17/98, 6.
- Staff, "University Medical Center Loses Its Tax Break," *AGB*, 5-6/98, 33.
- Thomas Billitteri, Stephen Greene, Jennifer Moore, and Grant Williams, "Bowling Organization Loses Charity Status," *Chronicle of Philanthropy*, 4/22/99, 71.
- Monica Langley, "The SO Trend: How to Succeed in Charity Without Really Giving," *Wall Street Journal*, 5/29/98, A1.
- Independent Sector, "The Charitable Giving Tax Relief Act," Memo to Members, 11/19/99, 1-2.
- David Schulman, "More to Get Tax Break for Contributions in N.C.," *News & Observer*, 10/16/98, 3B.
- Susan Gray, "Hartford Imposes Strict Zoning Rules on Charity Expansion and Operation," *Chronicle of Philanthropy*, 9/5/96, 43.
- Grant Williams, "A Holy War Against Tax Exemptions," *Chronicle of Philanthropy*, 8/8/96, 1.
- John Murawski, Tracy Sisser and Grant Williams, "Tax Watch: Pennsylvania Senate Passes Bill Setting Tax Guidelines," *Chronicle of Philanthropy*, 8/10/95, 38.
- Dennis Zimmerman, "Nonprofit Organizations, Social Benefits, and Tax Policy," *National Tax Journal*, 9/91, 341-349.
- Alan L. Feld & Evelyn Brody, reporters, Principles of the Law of Nonprofit Organizations: Council Draft No. 1, American Law Institute, 10/2/03, 1-191.
- "Memorandum: Year 2003 in Review," *Ropes & Gray Exemption Organization Practice Group*, 2/12/04.
- Charles Clotfelter, ed., Who Benefits from the Nonprofit Sector, University of Chicago Press, 1992.
- Evelyn Brody and John Tyler, "How Public is Private Philanthropy: Separating Reality from Myth," Philanthropy Roundtable, June 2009.
- John Colombo, "The NCAA, Tax Exemption and College Athletics," University of Illinois College of Law, 1/26/09.

## VII. WEDNESDAY, MARCH 2, 2011 – THE NITTY GRITTY OF TAX EXEMPTIONS AND DEDUCTIBILITY; EFFECTIVENESS OF TAX POLICY IN INCREASING/DECREASING DONATIONS

**FIRG GUEST: JAMIE COOPER-HOHN, PRESIDENT AND CEO, CHILDREN'S INVESTMENT FUND FOUNDATION**  
For More Information: <http://www.ciff.org/>

**Topic for Paper Due on Sunday, February 27, 4:00 p.m.:** Analyze and synthesize the required readings in Fishman/Schwarz, especially the major cases (*Hernandez, Skylar, Blake, Winokur, Church of Scientology, and United Cancer Council*).

### Study Questions:

1. How would you restructure tax preferences to provide incentives for greater charitable giving without unduly benefiting the wealthy at the expense of the less-well-off?
2. How should we view tax-reduction-motivated charitable schemes proposed by financial advisors and salesmen?
3. What role should the needs of prospective recipients play in allocating charitable resources, as opposed to the goals of the donors?
4. Absent tax preferences, would foundations exist? Would individuals donate? To what extent should Congress stipulate a maximum term of years for the life of a foundation? Are there reasons a foundation should be limited in life while all other charitable organizations are permitted to exist in perpetuity?
5. When and why did the United States, either in federal legislation or in laws enacted by state governments, institute tax deductibility for charitable gifts?
6. It has been argued that both tax-exemption and tax-deductibility are forms of public subsidy. Do you agree? What are the arguments for and against such tax incentives for socially beneficial activities? What are the arguments for and against offering citizens leverage over the resources of others as an incentive to them to give their own resources to those purposes that serve the public interest?
7. How valid is the argument that, absent such an offer of leverage, individuals would not contribute private money to the same extent and thereby make society poorer by augmenting expenditures of tax revenues for the same purposes? What empirical data are relevant?
8. Is the true effect of tax deductions for charitable gifts to force some Americans to pay slightly higher taxes in order to subsidize the charitable giving of others? Why let some individuals determine how to spend the money of other individuals?
9. Would America be better off if citizens could not take tax deductions for charitable giving, preventing Congress from spending the tax savings on whatever it regards as the most pressing ills? Which kinds of institutions would suffer most from such a change?
10. What are the policy purposes of the estate tax? Should it be permanently repealed, and if not, why?
11. In view of the growing consensus that the cumulative national debt needs to be substantially reduced, we may well be faced with a situation in which tax expenditures are significantly reduced. How big of a threat is this to America's non-profit sector?

### Required Readings:

- Fishman/Schwarz 828-950; 445-474.
- Stephanie Strom, "In Hurricane Tax Package, a Boon for Wealthy Donors," *New York Times*, 10/27/05, A23.
- Joseph Weber, "Deductibles: A Faith-Based Alternative to Tuition," *Business Week*, 8/1/05, 10.
- Ashlea Ebeling, "Stupid Tax Tricks," *Forbes*, 11/1/04, 86-87.
- Elizabeth Schwinn, "IRS Gives Approval for New Kind of Gift," *Chronicle of Philanthropy*, 10/14/04.
- "Gift of Violins Strikes a Sour Note," *News and Observer*, 5/2/04.
- Sharon Reier, "When Establishing Charities, a Warm Heart Calls for a Cool Head," *The Herald International Tribune*, 5/26/01, 15.
- "IRS Releases Study on Charitable Trusts," *Chronicle of Philanthropy*, 5/3/01.
- Daniel Altman, "If the I.R.S. Gets Less, Does Charity Get More?" *New York Times*, 5/8/05, B6.
- Joseph Cordes, et. al., "Extending the Charitable Deduction to Nonitemizers: Policy Issues and Options," Urban Institute: Charting Civil Society, May 2000, 1-7.
- Diana Aviv, Memorandum Re: Congressional Reform, 11/18/05.
- Deborah L. Jacobs, "Donations that Suit the Taxman," *Business Week*, 2/20/2006, 92.
- Mary Engel, Hospital's Charity Work Hard to Assess," *Los Angeles Times*, 12/14/07.
- Anne Tergesen, "Tapping a School's Investment Savvy," *Business Week*, 7/23/07
- Dominic Kennedy, "Scientologists Set to Cash in on Tax Break," *Times UK*, 6/23/07.

- Sally Beatty, "Survey Finds Giving by Wealthy Largely Immune to Tax Changes," *Wall Street Journal*, 10/26/2006, D3.
- David Nasaw, "The 'Giving' Season," *The Nation*, 12/6/2010.

#### Private Benefit

- "Philanthropy, Fannie Mae Style," *Business Week*, 4/2/07.
- Andrew Taylor, "Rep. Mollohan's Pet Projects Rejected," *Associated Press*, 4/2/07.

#### Estate Tax Debate

- Diana Aviv and Robert Greenstein, "A Compromise on the Estate Tax," *Chronicle of Philanthropy*, 11/11/04.
- Stephanie Strom, "Charities Are Silent on Loss of Estate Tax," *New York Times*, 4/24/05.

#### Unrelated Business Income Tax

- Evelyn Brody and Joseph Cordes, "The Unrelated Business Income Tax: All Bark and No Bite?" Urban Institute, 4/20/01.

### **For Further Reading: (112 Total Pages)**

#### Current Legislative Activity

- Peter Panepento, "Foundations Press Congress to Change Tax Rules for Endowments," *The Chronicle of Philanthropy*, 9/6/07.
- Jonathan D. Glater, "New Ties Found to Link Lenders and Colleges," *New York Times*, 9/5/07.
- Daniel J. Wakin, "Chairman's Kin Hired as Architect for Carnegie," *New York Times*, 10/11/07.
- *Provisions of Interest to Charitable Organizations and their Donors in H.R. 4, the Pension Protection Act of 2006*, Simpson Thatcher & Bartlett, LLP, 8/9/2006, 1-16.
- *New Charitable Giving Incentives and Exempt Organization Reforms: Pension Protection Act of 2006*, Ropes & Gray, 8/14/2006, 1-8.
- "Commentary on Current Philanthropic Issues," *NCRP Bulletin*, May 2003, (5 pages).
- Jacqueline L. Salmon, "Foundations Anxious Over Bill on Giving," *Washington Post*, 7/8/03, A3 (3 pages).
- Steve Levin, "Foundations Contend Proposal to Increase Giving is too Costly," *Pittsburgh Post-Gazette*, 6/9/03, (4 pages).
- Stephanie Strom, "Foundations Roiled by Measure to Spur Increase in Charity," *New York Times*, 6/19/03, (3 pages).
- Editorial Staff, "How Expensive Should Philanthropy Be?" *San Jose Mercury News*, 6/2/03, (2 pages).
- Editorial Staff, "The Life and Death of Foundations," *New York Times*, 6/8/03, (1 page).
- Memo to Members, *Independent Sector*, June 2002.
- Memo to Members, *Independent Sector*, December 2002.

#### Pension Protection Act of 2006

- "The Pension Protection Act of 2006: Detailed Summary of Charitable Provisions," U.S. House Committee on Ways and Means, 7/28/2006, 1-4.
- Ashlea Ebeling, "The New Rules of Giving," *Forbes*, 12/11/2006, 218-20.

#### History of Estate Tax Repeal

- "The Estate Tax and Charitable Giving," Congressional Budget Office, July 2004, 1-10.
- David Cay Johnston, "Coping With a Tax That Has Nine Lives," *New York Times*, 6/24/01, B1.
- Patrick Rooney and Eugene Tempel, "Repeal of the Estate Tax: Its Impact on Philanthropy," Draft Paper, 11/1/00, 2-15.
- Thomas Billitteri, "A Taxing Dilemma," *Chronicle of Philanthropy*, 7/27/00, 1, 17-19.
- David Joulfaian, "The Federal Estate and Gift Tax: Description, Profile of Taxpayers, and Economic Consequences," *U.S. Department of the Treasury OTA Paper 80*, 12/98, 25-27.
- Joseph Cordes and C. Eugene Steuerle, "Death Taxes and Charity," *Foundation News & Commentary*, 9-10/99, 36-40.

#### Gifts of Property (Including Stock) Rather Than Cash

- Pablo Eisenberg, "Congress Should End Special Tax Breaks for Art Gifts," *Chronicle of Philanthropy*, 10/12/2006, 35.
- Evelyn Brody, ed., Property-Tax Exemption for Charities, Urban Institute Press, 2002.

- Carrie Coolidge, "The Price Is Right," *Forbes*, 6/12/00, 402-404.
- Joan Oleck, "When Giving Means Getting Back," *Business Week*, 4/10/00, 232.
- Robert Barker, "Lending A Helping Hand—With Stocks," *Business Week*, 11/15/99, 292, 294.
- Council on Foundations, "170(e)(5) Is Permanent! (Finally!)," *Washington Update*, 10/23/98, 1-4.
- Daniel J. Wakin, "Chairman's Kin Hired as Architect for Carnegie," *New York Times*, 10/11/07

#### Charitable Deduction

- David Barstow and Diana B. Henriques, "I.R.S. Makes an Exception on Terror Aid," *New York Times*, 11/17/01, B1.
- Charles Clotfelter, "The Economics of Giving," in *The National Commission on Philanthropy and Civic Renewal, Giving Better/Giving Smarter Working Papers*, 1997, 31-51.
- David Cay Johnson, "Tax Study: The Richer, the Stingier" *News and Observer*, 12/19/05, 5A.
- Carol J. De Vita and Eric C. Twombly, "Charitable Tax Credits: Boon or Bust for Nonprofits?" *Charting Civil Society*, July 2004.
- Elizabeth Schwinn, "Write-Offs," *Chronicle of Philanthropy*, 6/22/04.
- Adam Yarmolinsky, "The Charitable Deduction: Subsidy or Limitation?" *NVSQ*, 3/00, 173-178.
- C. Eugene Steuerle and Martin Sullivan, "Toward More Simple and Effective Giving: Reforming the Tax Rules for Charitable Contributions and Charitable Organizations," *12 American Journal of Tax Policy* 399-447 (1995).
- Christopher Toppe, et. al., *Deducting Generosity: The Effect of Charitable Tax Incentives on Giving*, Washington: Independent Sector, 1-25.
- Diana B. Henriques and Leslie Eaton, "Once and Future Issue: Subtracting Donations From Damage Awards," *New York Times*, 11/18/01, A33.

#### Tax-Savvy Charitable Strategies and Proposals

- "SWRI Extended Report: 2003 Survey of Planned Giving Vehicles," *Wealth and the Commonwealth*, 7/10/03.
- "The Strategic Uses of Philanthropy," *The Bernstein Journal*, Spring 2004, 9-13.
- Ashlea Ebeling, "Designs for Giving," *Forbes*, 10/29/01, 66-68.
- Ashlea Ebeling, "The Charitable Split," *Forbes*, 11/24/03, 257-259.
- 2003 Survey of Planned Giving Vehicles, Social Welfare Research Institute, June 2003.
- John J. Havens, et. al., 2003 Survey of Planned Giving Vehicles, Social Welfare Research Institute, June 2003.
- "Bequests and Other Forms of Planned Giving," *Giving USA Update*, Issue 2, 2002.
- Jennifer Pellet, Randy Myers, and C.J. Prince, "It's Your Money," *Chief Executive*, 10/1/99, 68-75.
- Janet Novack, "The New Giving Game," *Forbes*, 9/20/99, 180-195.
- Council on Foundations, "IRA Rollover Survives," *Washington Update*, 8/13/99, 1-3.
- Brigid McMenemy, "Trust Me: The IRS Drops Its Hard Line On Trusts," *Forbes*, 12/27/99, 234.
- Jennifer Moore and Grant Williams, "North Carolina Beefs Up Charitable Tax Break," *Chronicle of Philanthropy*, 11/5/98, 75.
- Ashlea Ebeling, "Going, Going, Deducted!" *Forbes*, 9/7/98, 228-229.
- James Allen, Jr., "The Charitable Remainder Trust As An Executive Benefit Tool," *Journal of Financial Service Professionals*, 7/1/99, 34-50.
- Jonathan D. Glater, "New Ties Found to Link Lenders and Colleges," *New York Times*, 9/5/07.

#### Supporting Organizations

- Thomas H. Pollack and Jonathan D. Dunford, "The Scope and Activities of 501(c)(3) Supporting Organizations," Urban Institute: National Center for Charitable Statistics, 5/31/2005, 1-17.
- Alyssa A. DiRusso, "Supporting the Supporting Organization: The Potential and Exploitation of 509(a)(3) Charities," 39 *Indiana Law Review* 207, 207-52 (2006).

#### Restrictions on Foundation International Grant-Making

- Garry W. Jenkins, "Soft Power, Strategic Security and International Philanthropy," 85 N.C. L. Rev. 773-846 (2007).

#### IRS-Related Issues

- Elizabeth Schwinn, "IRS Approves Unusual Investment Option," *Chronicle of Philanthropy*, 11/9/2006, 31.
- William Claiborne, "Supremacist Group's Tax Status Due Review," *Washington Post*, 7/13/99, A8.
- Grant Williams, "A Legal Setback for IRS," *Chronicle of Philanthropy*, 2/25/99, 37, 39-40.
- "Qualifying for Public Charity Status: The Section 170(b)(1)(A)(vi) and 509(a)(1) Test and the Section 509(a)(2) Test," Silk, Adler & Colvin, 6/23/97, 1-12.

### Other Tax-Related Issues

- Diana B. Henriques, "Religion-Based Tax Breaks: Housing to Paychecks to Books," *New York Times*, 10/11/2006, A1.
- "Memorandum: Disaster Tax Relief for Individuals and Charities," Ropes & Gray, 1/24/02.
- Gerald Auten, Charles Clotfelter, and Richard Schmalbeck, "Taxes and Philanthropy Among The Wealthy," in Joel Slemrod, ed., Does Atlas Shrug? The Economic Consequences of Taxing The Rich, Harvard University Press, 2000.
- Eleanor Brown, "Taxes and Charitable Giving: Is There a New Conventional Wisdom?" Urban Institute: Seminar on Emerging Issues in Philanthropy, 4/29/99, 153-158.
- Evelyn Brody, "Charities in Tax Reform: Threats To Subsidies Overt and Covert," Draft Paper, 9/22/98, 1-101.
- Evelyn Brody, "Hocking The Halo: Implications of the Charities' Winning Briefs in *Camps Newfound / Owatonna, Inc.*," 27 *Stetson Law Review* 433-456 (1997).
- Harvy Lipman, "Tax Data Show Utah Donors Are Most Generous to Charitable Groups," *Chronicle of Philanthropy*, 8/8/02, 11.

## VIII. WEDNESDAY, MARCH 16, 2011– DEFINING THE NOT-FOR-PROFIT SECTOR: SIMILARITIES, DIFFERENCES, FUZZY BOUNDARIES AND COMPARATIVE ADVANTAGES AMONG THE SECTORS

**CLASS GUEST: JOHN RICE, FOUNDER AND CEO, MANAGEMENT LEADERSHIP FOR TOMORROW**

For More Information: <http://www.ml4t.org>

**FIRG GUEST: MARGE TABANKIN, EXECUTIVE DIRECTOR, STEVEN SPEILBERG'S RIGHTEOUS PERSONS FOUNDATION AND THE STREISAND FOUNDATION**

For More Information: <http://www.barbrastreisand.com/us/streisand-foundation> and <http://www.righteouspersons.org/>

### Study Questions:

1. Assess society's allocation of functional missions to one sector, another sector, or several sectors jointly. Give reasons for your views.
2. How do the component fields of the not-for-profit sector differ from one another in the social and individual needs they fill, in their forms of organization and governance, and in their means of support?
3. What characteristics define the separate sectors, and distinguish one from another?
4. To what extent is it possible to identify a form of activity which is peculiarly appropriate to one or another sector?
5. Can you develop a theory that explains why particular kinds of activity are better located in the not-for-profit sector as opposed to the public sector? The for-profit sector?
6. Do differential salary levels among the not-for-profit, for-profit and public sectors help to illuminate the appropriate boundaries among the sectors?

### Required Readings: (172 Total Pages)

- Jim Collins, Good to Great and the Social Sectors: A Monograph to Accompany Good to Great. Jim Collins, 2005. 1-35.
- Michael Novak, "An Essay on 'Public' and 'Private'," in Robert Payton et al., Philanthropy: Four Views, Transaction Books, 1988, 11-24.
- Laura D' Andrea Tyson, "Good Works—With A Business Plan," *Business Week*, 5/3/04. 32.
- William C. Symonds, "Leaving Harvard Greener," *Business Week*, 1/24/05. 44.
- Ben Gose, "From Mission to Movement," *Chronicle of Philanthropy*, 10/4/07.
- John Markoff, "Mozilla Plans Faster Growth for its Browser," *New York Times*, 8/3/05. C5.

### Nonprofit-Public Sector Relations

- Arthur C. Brooks, "Charity for Charities," *Wall Street Journal*, 12/28/2006, A14.
- Elizabeth Boris, "Contracts and Grants Between Human Service Nonprofits and Governments," The Urban Institute, 10/1/2010.
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## IX. WEDNESDAY, MARCH 23, 2011 – HYBRIDIZATION: VENTURE PHILANTHROPY, SOCIAL ENTREPRENEURSHIP, AND TRI-SECTORAL SOLUTIONS TO PUBLIC PROBLEMS

### Study Questions for both Hybridization I & II:

1. Consider the many examples of hybrid for profit/not-for-profit institutions formed in the last 10 years. For example, the Omidyar Network makes grants to not-for-profits and supports for profit organizations that have socially orientated missions. Google also set up a billion dollar fund promoting social change, of which only 10% is allocated for not-for-profits. How far should this hybridization movement go? Are there any real boundaries between sectors?
2. Consider the many different forms of giving philanthropy: individual giving; giving to institutions such as churches, universities, United Ways, establishing private foundations; establishing family foundations; establishing donor-advised funds at financial institutions such as Fidelity; corporate giving either directly or through corporate foundations; "corporate social investments," which are profit-oriented but are aimed to solve social problems; and community foundations. How do community foundations differ from private foundations and from United Ways?
3. How does corporate philanthropy differ from individual and foundation philanthropy?
4. Should corporations be permitted to make charitable contributions with what is essentially stockholder's money? Consider the differences, if any, between corporate foundations, philanthropic foundations, community foundations, and individual donors in this regard.
5. What are the arguments supporting and opposing the increase of foundation pay-out rates?
6. What right do unelectable, unaccountable foundations have to finance politically charged authors? What difference does it make whether or not foundations are accountable? Must foundations be accountable to justify supporting radical ideas of the political right- or left- wings?
7. Are there reasons why the Pew Charitable Trusts should not be permitted to transform itself from a group of charitable trusts, operating like a private foundation, into a public charity? What are the social consequences of its being permitted to do so?

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## X. WEDNESDAY, MARCH 30, 2011-- HYBRIDIZATION / SOCIAL ENTREPRENEURSHIP II – NONPROFIT CAPITAL MARKETS AND HUMAN RESOURCES

**CLASS GUEST: BILL SHORE, FOUNDER AND EXECUTIVE DIRECTOR, SHARE OUR STRENGTH**

For More Information: <http://strength.org/>

**FIRG GUEST: PAUL BREST, PRESIDENT, WILLIAM AND FLORA HEWLETT FOUNDATION**

For More Information: <http://www.hewlett.org/>

### **Study Questions:**

See Hybridization I

### **Required Readings:** (145 Total Pages)

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## XI. WEDNESDAY, APRIL 6, 2011 – STRATEGY, IMPACT MEASUREMENT, BENCHMARKING, EVALUATING, AND PUBLICIZING RESULTS OF FOUNDATION GRANTMAKING

### Study Questions:

1. What are some of the arguments for a wider understanding of how foundations achieve beneficial impacts on society through their grantmaking strategies?
2. How can such an understanding of foundation effectiveness be achieved? What are some of the ways foundations can more effectively and more persuasively tell their stories?
3. Are there political implications for effectively measuring the impact of foundations and publicizing those impacts?
4. Does the measurement of foundation impact through grantmaking affect the relationships between foundations and grantees?
5. To what extent does a focus on measuring impact tend to give incentives to foundations to make grants only for those efforts that are easily measurable?
6. Consider the various strategies foundations can employ in achieving their decided-upon goals. Also consider the range of tactics they can use in pursuing their strategies.

### Required Readings: (227) NOT INCLUDING ED'S BOOK

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## XII. WEDNESDAY, APRIL 13, 2011 – ACCOUNTABILITY: CHOICE-MAKING AND MANAGEMENT IN FOUNDATIONS AND NOT-FOR-PROFIT ORGANIZATIONS

### Study Questions:

1. How well-founded is the charge that most not-for-profit organizations are not accountable to anyone?
2. Are there accountability differences among subsectors in the not-for-profit sector, as well as different kinds of organizations?
3. Are foundations more or less accountable than is the press? If so, to whom are they accountable?
4. What are the mechanisms that maintain accountability in the not-for-profit sector?
5. How effective are boards of directors of not-for-profit organizations in maintaining accountability?
6. What accountability mechanisms exist for decisions about where to focus not-for-profit resources and on grants awarded to particular grantees?
7. What criteria would you use to determine whether a decision to make a grant is wise or not? Suppose the decision is not wise: what would you do about it?
8. Should the government second-guess donor decisions as to whether tax-exempt funds are spent in accordance with some public interest or public purpose requirement?
9. What, if any, ought to be the role of government with respect to ensuring accountability?
10. What other conceivable accountability-enhancing mechanisms can be invented?
11. Which organization is more easily held accountable: "donor organizations" which give away money to other non-profits or "recipient organizations" which receive those moneys?
12. What role do trustees play in ensuring accountability in universities, art museums, hospitals, local dance companies, soup kitchens, church boards?
13. What motivates one to accept (seek?) a role as a trustee? What can one say about the best and worst kinds of motivations to such ends?
14. How do the accountability responsibilities of trustees and executives differ?
15. What are the differences between general accountability questions and major criticisms of foundation behavior (e.g., the allegedly "excessive" directors' fees of the Duke Endowment and the Keck Foundation, the use of foundations as instruments to control privately held corporations, the taxation of unrelated business income, and the use of tax-exempt funds for political purposes)?
16. Can we formulate any appropriate rules for establishing salary levels for not-for-profit executives?
17. What can be done to facilitate the combination of organizations trying to achieve the same purposes? Are there lessons to be learned from the for-profit sector with respect to the encouragement of mergers as well as the discouragement of continued operations of organizations which are inefficient, ineffective or have outlived their usefulness?

\* Pick a not-for-profit organization. Use the Internet to find its 990 form and Guidestar page. Be prepared to discuss the differences and shortcomings of each.

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### XIII. WEDNESDAY, APRIL 20, 2011 (FINAL CLASS) – ATTAINING WIDER IMPACT ON SOCIETY THROUGH LOBBYING, ADVOCACY AND EDUCATION BY TAX-EXEMPT ORGANIZATIONS

#### Study Questions:

1. What is the rationale for limiting or barring lobbying and advocacy by tax-exempt organizations?
2. What are the similarities and differences between the treatment of lobbying expenses by organizations subject to taxes and that by tax-exempt organizations.
3. Is there a difference between advocacy by private foundations and public charities, between foundation and grant-receiving money, between donor institutions and recipient institutions?
4. What's the rationale for forbidding non-profit organizations from participating in elections involving candidates for public office?
5. In view of the Citizens United case, which allows corporations to fund and support individual candidates, is there a good reason to change the law that forbids non-profits and foundations from using their assets in a similar way? If not, why not?

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**Undergraduates please note:**

**NO CLASS WEDNESDAY, APRIL 27**

**TERM PAPERS DUE NO LATER THAN MONDAY, MAY 2, 2011, 5:00 P.M. IN PROFESSOR FLEISHMAN'S OFFICE OR BY WORD ATTACHMENT TO EMAIL. SEE PAGES TWO AND THREE OF THE SYLLABUS FOR TERM PAPER INSTRUCTIONS.**