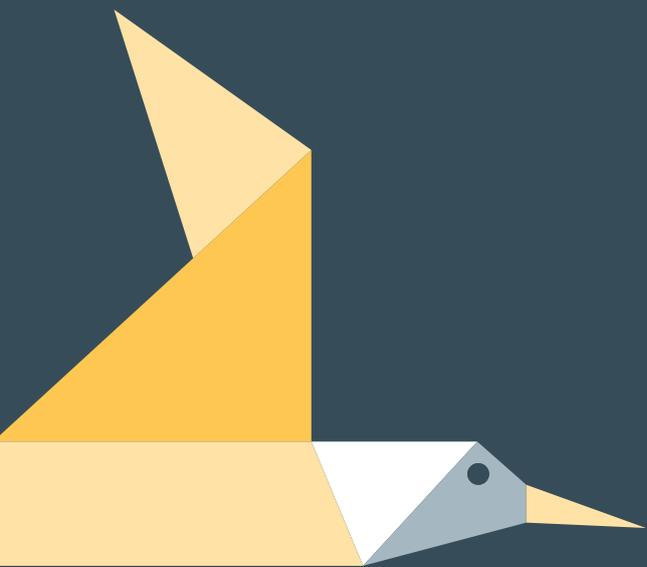


# Lead or be left behind: Sustaining trust and confidence in Australia's charities

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# Executive Summary



Tessa Boyd-Caine

Trust and confidence is critical for effective charities. Nonprofit organisations, and charities particularly, rely on the trust and confidence of their donors and funders; of volunteers and workers; and of the people and communities they work with. Transparency and accountability are the basis of that public trust and confidence.

The increasing availability of reliable data on and from charities, and the emergence of new and innovative technological platforms to engage with those data, will transform the mechanisms of charitable transparency and accountability, as it is doing in many other sectors. If they themselves engage with these transformational processes directly, they can learn more about social purpose and community wellbeing; about what charities do and why it matters. This is the best chance charities have of controlling the processes that build public trust and confidence in them. But these transformations will happen either way; with or without charities at their heart. If charities ignore these processes, charitable activity is as vulnerable to disruption as the many other sectors in which data and technological innovation have combined to challenge well-established approaches.

Charities that don't or won't lead the use of nonprofit sector data will render themselves irrelevant in the conversations that matter most to them: about health and wellbeing; about progress and the actions people must take to achieve it.

This report is based on work undertaken for the Fulbright Professional Scholarship in Nonprofit Leadership, examining the reporting from and regulation of charities and foundations in the U.S. Through time spent with the Foundation Centre in New York City, and the Centre on Nonprofits and Philanthropy at the Urban Institute in Washington DC in 2014, the project examined regulatory and reporting structures through which U.S. charities and foundations are governed; the processes to analyse, publish and disseminate knowledge based on those reports; and the debates within and beyond the U.S. charitable sector about its transparency and accountability. Meetings and interviews with and observations of over 100 charities during this period informed the analysis (see Appendix 1). The U.S. fieldwork was made possible through the Australian Fulbright Professional Scholarship in Nonprofit Leadership, supported by Origin Foundation and Australian Scholarships Foundation. The report is also informed by the Australian context of charity regulation, particularly the establishment of a national charity regulator, the Australian Charities and Not-for-profits Commission.

# Key Findings

## 1

**Charities must embrace the digital age and use data more effectively to build trust.**

Basic, reliable data are critical to demonstrating the transparency and accountability on which public trust and confidence in charities are based. Digital disruption is challenging everything we assume to be true about the world, and the charitable and nonprofit sector is as vulnerable to this disruption as any other sphere. But data need not displace charitable activity. New forms of information will help us better understand the impact of charitable organisations and demonstrate that impact to others. Data can help us learn more about what charities and nonprofits do and why it matters.

## 2

**Charities need to lead their own transparency and accountability efforts, rather than be overtaken by them.**

The nonprofit sector needs to set stronger leadership over its own data – now becoming more readily available – to strengthen its transparency and accountability. Charities can't control their own data, but they can choose what information they make available. Reporting requirements provide a key opportunity here, yet many charities are required to report to funders and partners in ways that bear little relationship to social impact and have no public benefit or interest. Charities need to work with funders and those in the communities they support to ensure that evidence of impact is at the heart of the data they collect, report and use. The Australian Charities and Not-for-profits Commission (ACNC) brings important opportunities here too, providing a critical baseline of evidence about the sector. But charities can't sit back and leave it at that. Charities need to use and develop the ACNC's and their own information further, leading a sector agenda to sustain trust and confidence from the people charities work to support and from the community overall.

## 3

**Australian charities need to lead a mature public discussion on one of the key issues relating to the transparency and accountability of their sector – organisational effectiveness.**

There is a common misconception that charities should be spending as little as possible on expenses other than direct service delivery. Increased access to reliable financial data may fuel this misconception. Charities need to be transparent and talk directly about what it really takes to run an effective nonprofit organisation capable of making a positive impact in people's lives. In some cases, that means arguing for more spending in key areas like training and development of staff, who are critical to charitable impact. In other cases, that means providing a voice through advocacy; evidence through research; or policy solutions to systemic problems. Each of these activities is as worthy of public support as services delivered directly to people, but charities need to be able to argue for that value effectively.

## 4

**We can learn from international colleagues who have led the development of their own transparency and accountability agenda.**

The U.S. provides greater tax benefits for charities than most other countries. For that benefit, the sector is subject to greater compliance requirements. U.S. charities must report extensively on their operations and activities through detailed, comprehensive and publically available data. Nonprofits turn this baseline data into a knowledge-base about and for charities: improving its reliability, testing what it tells us about effectiveness; demonstrating impact or lack of it. Over time, this peer review has developed a culture that values information beyond compliance and drives itself towards continuous improvement in the quality and usefulness of charity data, developing the sector's own capability for transparency and accountability. As a result, there is a rich information base about U.S. charities available for all.

## 5

**Strength and independence of voice are directly linked to the trust and confidence with which charities, philanthropists and nonprofits are held.**

American nonprofits fear that the heavy partisanship of contemporary politics is a great risk to them speaking out, particularly about social issues and how best to address them. But the risk of public challenge has been present in the U.S. nonprofitsector for the past 100 years at least. That risk has forced philanthropists to be particularly transparent and accountable, precisely so they can legitimise their voice in public debate. This is a salient lesson for Australia's nonprofitsector, both for its own independence and in the interests of expanding philanthropy within Australia. It is a critical reminder that strength and independence of voice are directly related to the strength of a charitable sector and its contribution to civil society.

## Conclusion

Transparency and accountability are powerful tools in developing and maintaining public trust and confidence. The establishment of a national charity regulator, the ACNC, and its introduction of routine, regular reporting heralded a new era of transparency and accountability for Australia's charitable sector. But charities shouldn't stop there! It is up to charities and non-profits themselves to use these data to tell their stories. Charities, philanthropists and non-profits need to work together to ensure the sector is effective for the people and communities it supports; and to maintain the public trust and confidence it relies on.



# Preface

From 2009-2016, I worked at the Australian Council of Social Service, the peak body for community services and a voice for people experiencing poverty (ACOSS) Australia. My responsibilities included community sector policy and advocacy. Effective national regulation of charities was a key element of our agenda and I worked closely on the reform to establish the Australian Charities and Not-for-profits Commission (ACNC). We argued strongly for a nationally consistent approach to reduce overly burdensome but ineffective charity regulation. We advised Government on the legislative detail, structure and guiding principles of the emerging regulatory framework. We built coalitions supporting effective measures and developed alliances opposing others that would undermine independence, proportionality or the integrity of the reform.

Transparency and accountability of charitable and nonprofit organisations had always been at the heart of this agenda. By the time the ACNC was established in 2012, ACOSS and sector colleagues had been advocating this reform for more than a decade. But once an idea, driven by charities for years, had taken hold, the process to design, establish and implement the national charity regulator became Government-led.

As close as I was to this process, I was struck by the irony of a government-led reform to establish transparency and accountability for charities, given the high levels of trust and confidence in which charities and non-profits were held in Australia. While government support was vital, it did not need to become a government-led agenda. Indeed, it would be more effective if it was sector-led.

I became interested in looking at how nonprofits in other countries sustained transparency and accountability outside of government-based regulation. If we could better understand the processes through which others did this, we might be able to develop a strong and sustained culture of it in Australia; enhanced by, but not dependent upon, regulation. Through the opportunity of the Fulbright Professional Scholarship in Non-profit Leadership I spent four months in 2014 in the United States of America, examining how U.S. philanthropic and nonprofit organisations engaged in transparency and accountability. This Report shares what I learned about how charities and non-profits can strengthen their own value and contribution, through the trust and confidence of the communities they work with.

## Acknowledgments

The opportunity to take six months out from a busy job is rare enough. The opportunity to use that six months to develop a whole new area of expertise; to visit hundreds of colleagues overseas; to engage with challenging ideas and stimulating approaches; to reflect on organisational and political culture; and to consider new ways of working towards shared goals of social justice, self-determination and community development, is incomparable. The Fulbright Professional Scholarship in Non-profit Leadership gave me that opportunity.

For their foresight in recognising the importance of investing in the leadership of Australia's nonprofit sector and for exercising their capacity to do so, I extend my sincere and enduring thanks to Sean Barrett, Emma Barton and all at the Origin Foundation; to Paul Murnane, Amy Lyden and all at the Australian Scholarships Foundation; and to Tangerine Holt and all at the Australian-American Fulbright Commission.

For generously hosting me and particularly for sharing that most precious resource of insight, I thank Brad Smith, Larry McGill, Steven Lawrence, the research team and all those at the Foundation Center; and likewise Elizabeth Boris, Tom Pollak and all at the Center on Nonprofits and Philanthropy at the Urban Institute.

For organising their annual study tour to the U.S through which I was able to meet with the majority of organisations that informed this research, I thank Nick Moraitis, Rebecca Wilson and Paige Burton at Australian Progress;

To David Locke and Mary Sayers, who conducted deep and detailed reviews of this Report, I am grateful for the benefit of your expert analysis and for your encouragement and enthusiasm.

To everyone I met, spoke with, interviewed, observed and read during this project, you inspired and challenged some of my most basic assumptions about how we work with and in our communities and I thank you for it.

To my colleagues in the ACOSS network and Australia's charitable sector, thank you for the pleasure of working with and learning so much from you.

Finally to John Chan, who accompanied and complemented my pursuit of new intellectual interests with the equally important Fulbright component of cultural exchange, putting his research skills to work locating the coolest bars, the most exciting shows, the best travel destinations and the zaniest events: it would never have been as much fun without you.

Through this Report, I hope to share some of the value I have gained from you all.



# Chapter One

## Digital disruption in the charitable and nonprofit sectors

In the age of disruption, game-changing approaches to established ways of working are frequently attributed to technological innovation. Yet, for the most part, this technological disruption is balanced by the equally important component of data. For the icons of [‘disruptive innovation’](#) like Google and Facebook, technology is the platform for the data revolution that has forever changed the ways we gain access to and use information (Hagel et al 2008).

**‘With all our technologies — from search to Chrome to Gmail — our goal is to make it as easy as possible for you to find the information you need and get the things you need to do done’, [Google](#).**

In one sense it is comforting that data remains central to what we know and what we can do with that knowledge: the value of research is a constant amidst the massive social, economic and technological change around us. At the same time, everything we assume about the world we live in can be disrupted beyond anything we’ve ever imagined, through new and changing uses of data. Just as online retail is fast replacing the ways people shopped or travelled only years earlier, any of the practices that we take for granted today may be left behind tomorrow.

The work of charitable and nonprofit organisations is as open to these disruptive capabilities as any other. Charities that see their work only in terms of social purpose and ignore the role they play in the collection and use of information are particularly vulnerable to such disruption. But charities and nonprofits have a choice here. They can prepare for this disruptive capability, engaging strongly and centrally with their role as agents of knowledge through the information they collect and contribute to by governments, researchers, funders and supporters. Or they can ignore the role data plays in their work and relegate themselves to irrelevance in the processes that will reshape working for social purpose: as information changes approaches to charity and as new forms of knowledge challenge models of organising in communities, the ways charities operate and, most importantly, the ways society understands and improves social outcomes.

## What is the disruptive potential of data for charities and nonprofits?

Before we can understand the drivers of disruption for charities and nonprofits, we need to understand first the role data plays their work.

- Data establishes evidence about the nature and extent of social problems or issues; about how to address them; and about effectiveness in doing so, determining need that charities then work to meet.
- Data is collected through charitable organisations working with clients and communities.
- Data is published to demonstrate priorities of need and how those needs can be effectively met.
- Charities and nonprofits contribute to the collection of data by others, every time they collaborate in research, report to funders and donors and engage with journalists, commentators and social media.

In all these ways and more, charities are engaged routinely in the generation of data. It is only in the last 5-10 years that we have moved from relying on 'Lonely Planet' or other guidebooks to 'TripAdvisor' online when planning holidays and booking hotels. Service users purchasing community services are already using chat rooms and online platforms to discuss the difference in performance between charitable, nonprofit and

for-profit service providers. How long before a TripAdvisor model appears in this space? As we will see, this is already happening in the US. Imagine what new approaches might be developed in the next few years. What possibilities will emerge when we will be able to cross reference datasets from government regulators like the ACNC with demographic data like that collected by the Australian Bureau of Statistics?

This disruptive capability of data should not be feared. While it may be inevitable, 'disruption' need not replace the value of connecting in and with communities in the ways nonprofits do. But as individual organisations and as a sector overall charities must identify and embrace the drivers of this disruption. There is a clear and welcome opportunity to advance a role as agents of knowledge for one of the most important elements of being an effective charity: by building public trust and confidence in what they do.

## Why do public trust and confidence in charities matter?

### Public trust and confidence underpin the work of charitable and nonprofit organisations.

- They are reflected in the support of volunteers: the more than two million people in Australia who support charities through unpaid work delivering social services, running sports clubs and cultural events, sitting on boards and management committees and collecting donations.
- They're evident in the reasons that attract the charity workforce: people committed to and driving the values of their organisations and communities.
- They inform the relationships between charitable organisations and their funders: the millions of dollars in grants, donations, sponsorship and in-kind support that flow from government agencies, corporations, philanthropic funds, small businesses and individual donors.
- It is trust and confidence that enables charities to work in and with communities in their times of greatest need and deepest vulnerability, from family breakdown to extreme weather events and every charitable activity in between.

## Chapter One

### Digital disruption in the charitable and nonprofit sectors

Australian charities are among the [most trusted institutions](#) in the country: ranked third in public trust and confidence after doctors and police. Transparency and accountability are the foundation of this trust and confidence; the elements upon which it is built, fostered and sustained. At their core, transparency and accountability are about how nonprofits tell the story of what they do and why it matters.

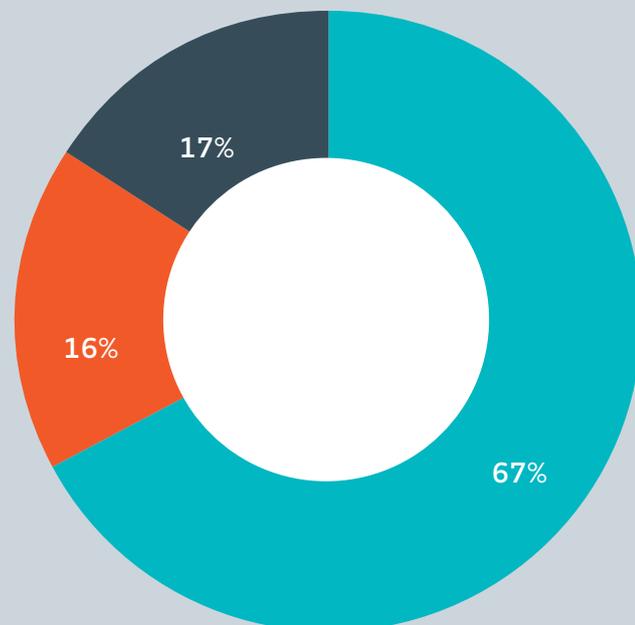
### Transparency and accountability are about how nonprofits tell the story of what they do and why it matters.

The availability of data to tell that story has been patchy at best. Landmark studies like the Productivity Commission's (PC) 2010 study into the [contribution of the not-for-profit sector](#), or the Australian Bureau of Statistics [satellite nonprofit accounts](#) were important but relatively isolated efforts at national, comprehensive information and analysis. While a strong and important field of research developed about Australia's charitable organisations, there was little effort to collect national, comprehensive and rigorous data, independently analysed and available for use by anyone.

With the establishment of the Australian Charities and Not-for-profits Commission (ACNC) and the availability of the data it routinely collects, all this has changed. While the ACNC's key function is the national regulation of charities and nonprofits, its aims include maintaining, protecting and enhancing public trust and confidence in the sector through increased accountability and transparency. One of the main ways it does this is through the routine collection, publication and dissemination of data about charitable organisations. Not only

does this provide an accurate, up-to-date register of charities that is publicly searchable; it lays the foundation for an evolving knowledge base about Australia's charitable sector by anyone and everyone. The first national charities report from the ACNC answered the most basic questions, such as how many registered charities there are in Australia. We can only imagine what people will be able to learn about charities into the future. Indeed for some charities, this raises concern about how such information might be used.

Size of charities – The first ACNC infographic illustrating charity size by revenue (2013, n = 38,341)



- Large charities: (\$1m and over): 6,679
- Medium charities: (\$250,000 – 1m): 5,990
- Small charities: (up to \$250,000): 25,672

The overhead myth is ‘the common misconception that the percentage of charity’s expenses that go to administrative and fundraising costs — commonly referred to as “overhead” — is an appropriate metric to evaluate when assessing a charity’s worthiness and efficiency.’

The ‘overhead myth’ provides a good example of where charities may be concerned about the availability of data on them. So-called ‘overheads’ are the basic elements of organisational capacity and effectiveness. They might include the costs of training and development of workers, the investment of time by charities to bring in financial and in-kind support, or the advocacy activities that turn individual contact into systemic or preventive solutions.

More often than not, the value of such expenditure can be explained; but that’s not always easy to do. It is a particular challenge in Australia, with large numbers of charities receiving funding, largely from governments, that defines rigid target groups and outputs, without investing in capacity for research and evaluation that would enable organisations to demonstrate their impact. While public trust and confidence in charities is generally high, perceptions that ‘charities spend too much on administration, salaries,

advertising and fundraising or general wastefulness could result in respondents trusting charities less’ (ACNC 2015). There is a risk that any instance of a charity being perceived as wasteful or dishonest could tarnish the whole sector.

There is undoubtedly a disconnect between the cost of running charities and nonprofits effectively and perceptions that expenditure on organisational capacity, rather than ‘frontline services’, is wasteful. But the answer is not to hide financial and other information from public scrutiny. Charities and nonprofits need to address these ideas directly, as part of the sector’s leadership of its own transparency and accountability.

**The ‘overhead myth:’ in 2013, three of America’s leading charity ratings agencies led an effort to denounce the myth of overheads as a basis for deciding which charities to support. They wrote,**

‘At the extremes the overhead ratio can offer insight: it can be a valid data point for rooting out fraud and poor financial management. In most cases, however, focusing on overhead without considering other critical dimensions of a charity’s financial and organizational performance does more damage than good.

In fact, many charities should spend more on overhead. Overhead costs include important investments charities make to improve their work: investments in training, planning, evaluation, and internal systems— as well as their efforts to raise money so they can operate their programs. These expenses allow a charity to sustain itself (the way a family has to pay the electric bill) or to improve itself (the way a family might invest in college tuition).

When we focus solely or predominantly on overhead, we can create what the Stanford Social Innovation Review has called “The Nonprofit Starvation Cycle.” We starve charities of the freedom they need to best serve the people and communities they are trying to serve (Wise Giving Alliance et al 2013).

#### How do we build and sustain public trust and confidence in charities?

In some ways, the overhead myth dates from a time when charity was mostly women's, mostly unpaid work. Today in Australia women are still highly represented within the sector, for example comprising 85% of the workforce in community service charities. The sector is also highly skilled, highly professionalised and highly significant economically, which we know from the collection and publication of [annual data by the ACNC](#):

- Charities have combined total income of over \$103 billion.
- Charities are financially healthy, with most operating a balanced budget.
- Charities employ over 1 million staff.

Australian charities have been embroiled in few of the scandals that have dogged their peers in other countries. For example, the recent death of Olive Cooke, 'Britain's oldest poppy seller and long term charity donor' who was described as 'tormented' by the number of fundraising requests she received, produced strong media and public condemnation of charities in the UK, from their fundraising practices to salary rates for charity heads (Isaac 2015). With Australian charities receiving strong public support, a national charity regulator might seem an unlikely reform for charities themselves to advocate. But the sector's call reflected a range of challenges facing the sector:

- A significant lack of data and knowledge about Australia's nonprofit organisations, despite their already important social contribution and their growing size and economic significance;
- An ineffective but overly burdensome regulation regime, with myriad different and often competing requirements across state boundaries; and
- No effective vehicle through which to contain the growing amounts of time and resource charities were spending on reporting requirements; nor to develop consistent, appropriate and proportionate policies for the effective contribution of the sector.

The imperative of accountable and transparent charities remained a strong driver of the support the sector gave for establishing a national regulator. Indeed, the ACNC's ongoing assessment of trust and confidence in Australian charities has shown a clear relationship between the availability of a charity register and perceived transparency in the sector (ACNC 2015).

As long as public trust and confidence remain central underpinnings of the support on which charities rely, transparency and accountability will remain sector imperatives irrespective of how well the sector is regulated. But in the age of digital disruption, the ACNC provides a hugely significant platform for a whole new order of publicly available data by and about charities. Active analysis of annual reporting to the regulator, both by and beyond the sector, will quickly yield new forms of information that change our

understanding of social purpose and how we can achieve it beyond any practices Australian charities are currently accustomed to.

Some of the most immediate implications could lie in the reporting activities by charities themselves. Many charities currently provide swathes of reporting to funders (government and non-government) that bare little relationship to their impact and provide no public benefit; many of these reports are not even published. The potential for a whole new approach to reporting about impact and outcomes is clear, and already being considered by many in the sector. Governments too are attempting to support such change, such as the [Commonwealth Department of Social Service's](#) establishment of a data outcomes initiative attached to community sector funding. Meanwhile the data collected by the ACNC is made available and used by others via the Australian Government's [open data platform](#).

Beyond the interests of charities themselves, there are many ways the public might make use of these data, including those using charitable services or supports. As consumer-directed care drives major reforms in the delivery of disability and aged care supports, and the appetite for people and communities to know more about the organisations offering to support them grows, so too platforms will emerge to satisfy this appetite. The potential to disrupt both the existing uses of data and charitable activities themselves is high as people and communities find inventive and innovative ways to use data to identify their own needs and how best to meet them.

The digital disruption of charities and nonprofits is inevitable. The more important issue is whether charities and nonprofits remain central to those disruptive processes. Charities can't control their data – neither what it tells us nor how it is made available. But charities and nonprofits do have a choice about how this information is used. They can ensure that they remain instrumental to the conversations provoked by data. The challenge by nonprofits themselves to the overhead myth is a good example of this. They can provide ever more useful ways of understanding the sector and its work in communities, through the release of their own data and through working collaboratively with others, both in and beyond the sector, to open those data up to new and innovative ways of understanding them.

## The digital disruption of charities and nonprofits is inevitable. The more important issue is whether charities and nonprofits remain central to those disruptive processes.

The innovative and as yet unimaginable capabilities of data are already in train in Australia's nonprofit sector. The question is how Australian charities and nonprofits will respond to the opportunities that those disruptive processes create: the opportunity to lead the conversation about social purpose and community wellbeing.

## Chapter One Key Findings

### 1. Charities must embrace the digital age and use data more effectively to build trust.

Basic, reliable data are critical to demonstrating the transparency and accountability on which public trust and confidence in charities are based. Digital disruption is challenging everything we assume to be true about the world, and the charitable and nonprofit sector is as vulnerable to this disruption as any other sphere. But data need not displace charitable activity. New forms of information will help us better understand the impact of charitable organisations and demonstrate that impact to others. Data can help us learn more about what charities and nonprofits do and why it matters.

### 2. Charities need to lead their own transparency and accountability efforts, rather than be overtaken by them.

The nonprofit sector needs to set stronger leadership over its own data – now becoming more readily available – to strengthen its transparency and accountability. Charities can't control their own data, but they can choose what information they make available. Already charities provide swathes of reporting to funders that bare little relationship to social impact and have no public benefit. Reporting requirements provide a key opportunity. Charities need to work with funders and those in the communities they support to ensure

that evidence of impact is at the heart of the data collected, reported and used. The ACNC brings important opportunities here too, providing a critical baseline of evidence about the sector. But charities can't sit back and leave it at that. Charities need to use and develop information further, the ACNC's as well as their own, in a sector-led agenda to sustain trust and confidence of the people charities work to support and the community overall.

### 3. Australian charities need to lead a mature public discussion on one of the key issues relating to the transparency and accountability of their sector – organisational effectiveness.

There is a common misconception that charities should be spending as little as possible on expenses other than direct service delivery. Increased access to reliable financial data may fuel this misconception. Charities need to be transparent and talk directly about what it really takes to run an effective nonprofit capable of making a positive impact in people's lives. In some cases, that means arguing for more spending in key areas like training and development of staff, who are key to charitable impact.



# Chapter Two

## U.S. charity data: a sector-led agenda

‘Every institution is better off if it is subject to criticism for its activities. Unless you know what an institution is doing, you can’t be critical of its performance. Accountability and transparency also tend to prevent or limit the possibility of corruption; and the corruption doesn’t have to be bribery but can be certain kinds of playing of favorites’ (interviewee).

### A data treasure trove: public reporting by America’s nonprofits

Despite the emphasis of prominent American politicians on small government and self-regulation, the regulatory reporting required of American charities and nonprofits surpasses the requirements of many other countries, in its volume and its detail.

As one interviewee noted, the U.S. provides ‘greater tax benefits for charitable contributions than in most other countries. ... charitable foundations are required to disclose their contributions; compensation for the three highest paid employees; and Board members, through the [annual tax filing to the] IRS. [I’m] not sure there’s anything like that elsewhere’.

Because of the extensive tax benefits they receive, American charitable organisations must file annual reports to the Internal Revenue Service (IRS). This compulsory tax reporting generates a baseline of official data about the scale and scope of activities undertaken by all tax-exempt organisations in the U.S.: charitable, nonprofit and philanthropic sector. These data provide the key underpinning for charitable transparency and accountability in the U.S.

#### American charitable reporting is ...

- **Comprehensive:** Because of the substantial tax benefits available to American charities, they are required to report to the IRS significantly higher amounts of information in terms of both scope and detail than their counterparts in other countries.
- **Publicly available:** The IRS does little more than make charitable tax returns publicly available. However the fact of their availability has enabled the development of an entire capability, mostly within the nonprofit sector itself, to review, analyse and further report on the data contained in those returns for the purposes of research, public dissemination, policy development and public interest.
- **Reliable:** The sector has developed a culture that values accurate charitable information above and beyond legal requirement; and drives itself toward continual improvement in the quality and usefulness of those data.

The IRS has neither the resources nor the obligation to investigate the veracity of charitable tax reports. Consequently, the minimum federal requirement of charities receiving tax benefits is to self-report. Through the annual charitable return (Form 990) to the IRS, organisations report on their:

- mission and core activities;
- accomplishments of any programs or services;
- additional tax reporting obligations;
- governance, management and operations;
- Board members, including names and salaries/income earned for their Board position;
- highest-compensated employees; and
- finances, including revenue, operating expenses, balance sheet and assets.

State-based charity regulators across the U.S. provide another key source of data on charities. In essence, these two tiers of federal tax administration and state-based regulation provide the overarching regulatory framework of the American charitable sector. While the resourcing and consequent effectiveness of state-based charity regulators varies, their [general purpose](#) is to 'protect charitable assets for their intended use and ensure that the charitable donations contributed are not misapplied' or squandered.

Through these reports U.S. regulators develop knowledge and evidence about the charities they regulate. The annual series of ['Pennies for Charity'](#) reports from the New York Charities Bureau provides a good example of how states use data to meet their regulatory responsibilities, in this case as a watchdog.

**[New York Attorney-General Schneiderman] 'has made it a priority to protect donors and the charities they support, strengthen public confidence in these organizations and ensure that contributions assist those in need of support. One way that Attorney General Schneiderman achieves these goals is by promoting transparency and shining a spotlight on how charitable contributions are spent.'**

### **Mining the data: a sector-led agenda of transparency, accountability**

Transparency and accountability are 'keys to earning the public trust' ([Foundation Center Values](#)). But the mere existence of data on charities and nonprofits does not in itself ensure transparency and accountability. Once the IRS and state-based regulators have collected the reports charities are required to make to them, they are simply published – often in their raw form, regardless of mistakes or omissions. It is other nonprofits who then analyse and republish these data, leading to a much stronger measure of reliability

in the information; and building transparency and accountability within the sector overall. This happens in a number of ways.

Sector research organisations frequently follow up with reporting organisations to clarify or verify data that is either incomplete or clearly inaccurate. Additionally, the emergence of ratings-based analysis by some nonprofits, coupled with strategies of 'naming and shaming' by others, has added further impetus to strive for accuracy in charity tax reporting. Over time a culture of peer review has increased the accuracy of reporting significantly.

It is this culture of sector research by nonprofits themselves that has moved charitable reporting beyond a compliance framework to improving the accuracy and quality of information available about American nonprofits. As data from tax and regulatory reporting are analysed, challenged and disseminated throughout and beyond the sector, a rich information base about U.S. charities and nonprofits develops. Importantly, however, the one cannot survive without the other. If charity reports to the IRS or state regulators were never published, there would be little hope for any transparency or accountability in the sector. It is the fact that those reports are made available and other interests, led by the sector itself, undertake research on them that turns reporting data into knowledge, improving charitable transparency and accountability in the process. So who in the sector is leading this agenda?

For some transparency and accountability are ends in themselves. The global project of the [Open Society Foundations](#) reflects this, working ‘to build vibrant and tolerant democracies whose governments are accountable to their citizens’. But for many others, building transparency and accountability is critical to sustaining the support that organisations need to do their work: from funders, donors, volunteers, workers and the beneficiaries of that work.

The emergence of a range of nonprofit organisations has provided various platforms from which to analyse charitable data and develop knowledge about the sector as a whole. Transparency and accountability are explicit in the purpose of these organisations, which are the backbone of the research agenda on American nonprofits. They also effectively constitute the sector’s own research arm, driving and supporting a sector-led agenda of transparency and accountability upon which public understanding and support of charities is based.

Research-based nonprofits are supporting sector-led transparency and accountability by developing knowledge about the activities of charitable, philanthropic or nonprofit organisations in the interests of transparency and accountability. For example, the [Foundation Center’s](#) mission is to ‘strengthen the social sector by advancing knowledge about philanthropy in the U.S. and around the world’. This [Foundation Focus snapshot](#) provides a good example of the contribution Foundation Center research makes to knowledge about U.S. philanthropic activity.

## Foundation Focus

In 2012  
the U.S. was home to  
**86,192**  
foundations with  
**\$715 BILLION**  
in assets and  
**\$52 BILLION**  
in giving

**In the words of Foundation Centre President Brad Smith, ‘If we are going to extend the incentives to other organizational forms that ostensibly serve the public good, then we should also be sure they are subject to mandatory reporting requirements that will contribute to transparency. Otherwise we will be left to anecdote, marketing, self-reported data and the occasional survey to assess to what extent they are serving the public good in exchange for the public incentive they receive’ (Smith 2014).**

The **Urban Institute** pursues a similar aim in relation to nonprofits through its [Center on Nonprofits and Philanthropy](#). Originally established through a partnership between the IRS, the charity United Way, the membership-based sector representative Independent Sector and the think tank Urban Institute, its mission is ‘to develop and disseminate high quality data on nonprofit organizations and their activities for use in research on the relationships between the nonprofit sector, government, the commercial sector, and the broader civil society’ (interviewee).

A third example is GuideStar, whose [mission](#) is ‘to revolutionize philanthropy by providing information that advances transparency, enables users to make better decisions, and encourages charitable giving’.

Beyond research, there are a range of ratings agencies: organisations operating to classify, evaluate or rate nonprofits on the basis of publicly available data. [Charity Navigator](#), described as ‘America’s largest charity evaluator’, develops ‘[top ten lists](#)’ of charities against various criteria such as ‘Charities in deep financial trouble,’ ‘10 of the best charities everyone’s heard of’ or the charities receiving the greatest amount in donations. While describing itself as impartial, Charity Navigator clearly makes evaluative assessments of charities. Another example is [GreatNonprofits](#), which provides a platform for people to rate and review nonprofits where they live. It has been described as ‘a Yelp-like approach to taking reviews of NGO work and thereby tries to contribute to accountability in the sector’ (interviewee).

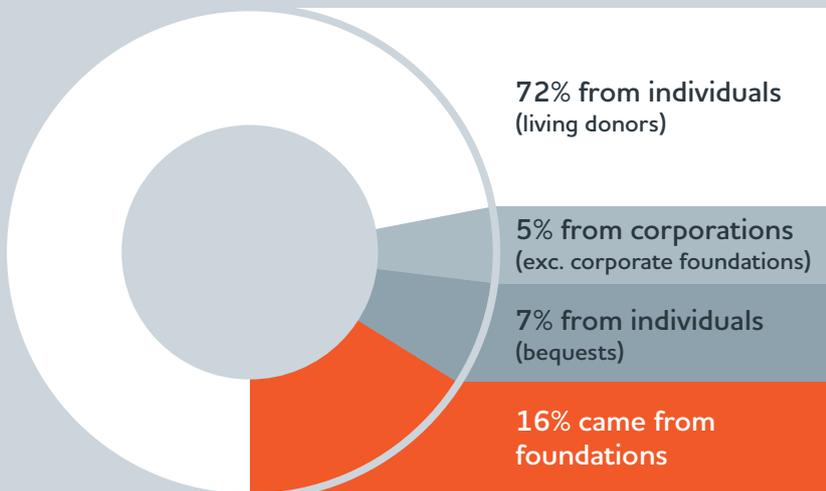
## Building the knowledge base

It is the spectrum of nonprofit organisations building sector-based research that enables the sector to set its own agenda of transparency and accountability. Basic information covers the core dimensions of the sector, such as the size and breadth of activity undertaken by U.S. charities, philanthropists and nonprofits. There is more detailed information available at both national and local levels, such as how many organisations provide early intervention to children or what kinds of

arts organisations are active in any part of the country. Through these approaches, the U.S. nonprofit sector has built highly sophisticated mechanisms to track its activities, from sources of funding, to where they flow and the activities they fund, through to the dimensions of its workforce and the pay scales of its leadership. A good example of the value of such sector-led knowledge is this infographic assessing the different levels of giving (Foundation Center 2014).

### Private Giving

Out of \$316.2 Billion of private giving in the U.S.



## Risks of over-reliance on reporting

**‘There’s over a million nonprofits in the U.S. and if you take all of the rating agencies together, they cover less than 10,000 of those organisations. So we have high quality information on less than 1% of all the nonprofits in the country, which doesn’t add up to a useful resource for all the donors out there’ (Bernholz 2014).**

Despite the critical importance of national datasets, we need to recognise their limitations. Essentially, the mere fact of a reporting process as a condition of receiving charitable tax benefits is not inherently a process of transparency or accountability.

- i. The data are partial (as is the case for any country whose main source of information on charities is the tax system) because it inherently counts only those organisations with tax exemptions, while large numbers of nonprofits exist without tax benefits.
- ii. Data alone are not enough to secure transparency and accountability and they bring operational and strategic risks that charities then need to manage, such as:
  - the risk of burying an organisation in reporting processes that conceal rather than reveal what it is actually doing (Kloos & Papi 2014);

- not necessarily demonstrating how well an organisation is meeting its charitable mission; and
  - needing strong leadership and organisational culture that value critical reflection.
- iii. Many of the reports filed with the IRS contain inaccuracies and inconsistencies. Foundation Center researchers observe that up to 50% of ‘grants purpose’ fields tend to be left blank when foundations filed their Form 990s, with details on their grant-making left either blank or unclear.
  - iv. While there is a massive body of data available, organisations routinely engaged in research on the sector must - out of necessity - be selective about the data they use. For example, the Foundation Center’s research agenda focuses almost entirely on the FC1000 sample, 1000 of the largest U.S. foundations whose combined giving accounts for more than half of overall U.S. foundation giving annually.
  - v. Perhaps most significantly, the data may not tell a helpful story to people interested in the effectiveness of charitable organisations.

**‘In many ways it’s still the wild west. We really have yet to get serious about enforcing some meaningful standards of accountability and transparency for the sector as a whole... It will continue to be a very hard road ahead. There are many wonderful charities that do great work, but there is also this big problem that often gets put under the rug’ (interviewee).**

For all the work to build research organisations within the sector, there remains a lack of meaningful standards to assess effectiveness or evaluate outcomes of charities. The U.S. sector shares these limitations as much as any other country’s including a lack of resources available to support such work.

**‘Many charities and funders have shifted from expecting charities to provide information on outputs; now, funders are increasingly asking for outcomes. For the vast majority, they want massive transformation of charities, to [be able to] report on results, outcomes. Typically [funders] don’t supply additional infrastructure funding, or training to produce the information. [So] most charities have repackaged themselves so outputs become outcomes; and funders collude to proudly show meaningful outcomes, when it’s really [all just] jargoneering’ (interviewee).**

That charitable organisations are unable to attract resources to measure their own effectiveness is a classic example of where public perceptions about the value of charities investing in their organisational capacity need to shift; and the broad community value when charitable contributions are directed to this end. In the U.S., a ‘growing community of institutions dedicated to strengthening global giving and social investing’ has responded to this challenge by developing an agenda to fund the infrastructure of charitable nonprofits, primarily

philanthropists. ‘Infrastructure’ here is taken to mean the supports or capacities that enable philanthropy and civil society to do its work: ‘its processes, relationships and cultural norms’ (WINGS 2014). For these funders, activities such as information, advice, convening and advocacy are critical to the capacity of the people and institutions in the charitable sector to connect to each other, and in doing so, to maximise the effectiveness and impact of their work.

A central argument of this report is that transparency and accountability underpin public trust and confidence in charitable organisations; and that such trust and confidence are critical to the ability of charities to do their work. With the best will in the world, the very nature of being nonprofits means that charities cannot make this happen on their own. They need the support of funders and donors to ensure that what is reported is useful and serves a public benefit alongside the charitable purpose itself.

## Chapter Two Key Finding

### **4. Learn from international colleagues who have led the development of their own transparency and accountability agenda.**

The U.S. provides greater tax benefits for charities than most other countries. For that benefit, the sector is subject to greater compliance requirements. U.S. charities must report extensively on their operations and activities through detailed, comprehensive and publically available data.

Other nonprofits turn this baseline data into a knowledge-base about and for charities: improving its reliability; testing what it tells us about effectiveness; demonstrating impact or lack of it. Over time, this peer review has developed a culture that values information beyond compliance and drives itself towards continuous improvement in the quality and usefulness of charity data, developing the sector’s own capability for transparency and accountability. As a result, there is a rich information base about U.S. charities available for all.



# Chapter Three

## Accountable to whom?

The voices of charities are a critical component of civil society and its contribution to democracy.

Beyond ensuring effectiveness of charitable purpose and improving outcomes in communities, there is another way in which charity accountability matters: through the contribution of charities to civil society. As independent organisations, working in communities, holding a level of trust and confidence from the general public, charities share a responsibility to speak about the problems they identify and how to resolve them. Whether it's the individual championing of a client to a local authority, or the national advocacy on a major social justice issue, the voices of charities are a critical component of civil society and its contribution to democracy. As a result, the political context in which charities operate can have a direct impact on the transparency and accountability agenda of those charities.

**'Today, no policy discussion in the U.S. is non-partisan; it is always dominated by ideological concerns' (interviewee).**

There was a strong perception, reflected among people interviewed for this research, that contemporary American politics was so polarised it was impacting on the ability of nonprofits to achieve their missions for social change. Factors at the time that could account for this perception included the lack of consensus between Republicans and Democrats in the major political parties; the factional role of the Tea Party within Republican party politics; and the divisive balance of power between Congress (controlled by the Republican Party) and the President (Democrat Barack Obama, who was increasingly exercising executive authority in response to Congress blocking passage of legislation).

Concerns about the effectiveness of the social sector within this context were not just isolated to organisations working directly with government. Sector leaders spoke of a deep anxiety that if politicians disagreed with a particular strategy or approach by a nonprofit organisation, that organisation might become the target of public, politically-motivated attacks. The implication was of great risk, not just from a declining relationship with a particular politician, but from a wide-reaching impact on public trust and confidence that any such antagonism might produce. The effort to manage these perceived risks produced a consequent level of caution in decision-making across the U.S. nonprofit sector, from advocacy strategy through to funding decisions and investment plans. Underlying such caution was a pervasive sense that this was a particular 'moment in time' where politics in the U.S. were uniquely dysfunctional, with potentially devastating implications for nonprofits.

The risk that charities might conflict with dominant political agendas is neither particular to the U.S. nor is it new. The legitimacy of such conflict underpins the value of independent charitable organisations and their contribution to a strong and valued civil society. Indeed such conflict, and the capacity of charities to withstand it, has a century-long history in the U.S. Charitable and philanthropic organisations have long defended their independence in the face of political attack. American philanthropy in particular has played a critical role in defending charitable independence over time. In doing so, philanthropy has developed many of the mechanisms that increased public trust and confidence along the way.

## Philanthropy and accountability

Over the past 100 years philanthropic foundations have routinely been subjected to observation or efforts at intervention. The U.S. Foundation Centre emerged out of 1950s McCarthyism and the heightened suspicion it brought about philanthropic activity, to become the most significant database on philanthropy in the U.S. and increasingly the world. Yet the McCarthy era suspicions sit within a century of public and parliamentary inquiries throughout which philanthropic organisations were required to justify their very existence; to explain what they did and why it mattered. The number of parliamentary-initiated inquiries alone indicate a level of persistent and critical inquiry into the activities of U.S. philanthropy.

## A Critical history

- **1916:** U.S. Commission on Industrial Relations (Walsh Commission) developed policies that regulated charities in ways still recognisable today. The Commission devoted much attention to a few specific foundations, mostly the Rockefeller Foundation. Its recommendations included ‘that foundations be limited in size and spending, and that they be regulated by the government’ (Macdonald 1989).
- **1950s:** In the era of McCarthyism there were several extensive Congressional inquiries into the activities of philanthropists, including but not limited to those by Senator Joseph McCarthy.
- **1952 – 55:** Two separate congressional hearings, put philanthropic foundations under further scrutiny. For some, they were ‘merely episodes in Republican factional politics’ (Macdonald 1989).
- **1980s:** The Filer Commission established objectives for better understanding the activities and scope of nonprofit activities. The National Center for Charitable Statistics emerged from this Commission, along with other data and regulatory processes.

## Chapter Three

### Accountable to whom?

Over the years the American media has also sustained a direct interest in philanthropy, often engaging critically and in detail with philanthropic activities and outcomes. A landmark example is Dwight Macdonald's forensic (and witty) investigation in the 1950's of the Ford Foundation's mission and its effectiveness in meeting that mission. At the time, the Ford Foundation's corpus dwarfed the value of many other philanthropists combined. Indeed, the insights from this 60-year old critique still resonate today, with many of the same criticisms levelled at today's lion of philanthropy, the Gates Foundation (whose corpus sits at over \$37 billion). Both have attracted concern about their spending power, particularly the capacity to single-handedly change the direction of, for example, health research globally, as they could each outspend governments many times over. Both have attracted concerns about their size, scale and potential impact; and arguments for greater transparency and accountability consequently.

**It is 'precisely because of [Gates Foundation's] scale, size and capacity to both help and hurt, transparency in decision-making, openness in global and local operations, and frequent, candid reporting and discussion is very much needed' (Skloot 2011).**

It is partly through this history of defending themselves from public and political attack that American philanthropic organisations have developed a strong culture of and capacity for articulating what they do and why it matters. For some in the sector today, that culture is dwindling. Referring to Macdonald's analysis of the Ford Foundation, one interviewee recalled the following:

### **'The Ford Foundation: The men and the millions' (Macdonald 1989)**

On the endowment of the Ford Foundation itself, a staff member from another foundation observed, 'It's hard to give away a lot of money without doing harm. You might increase growth too suddenly, causing the grantee to enlarge his staff, set up branch offices, et cetera, out of all proportion to his normal rate of development, and first thing you know you have organizational cancer'.

On the physical space and institutional framing of philanthropy: 'Some members of the staff feel that this elegance is not appropriate to a foundation that deals with scholars, scientists, and other persons of modest income ... But the Ford Foundation is a \$2.5b proposition, and it is hard for so much money not to dress the part'.

**Everybody remembered one line: 'the Ford Foundation is a large body of money, entirely surrounded by people who want some'. [I'm] hard-pressed to think of anything that has appeared in any significant periodical in recent years that was as trenchant as what Macdonald wrote about the Ford Foundation many years ago. And [the] absence of that kind of critical reporting contributes to a sort of laziness among the foundations. They're not really subject to that kind of thoughtful, critical analysis; not antagonistic, but intelligent, critical reporting. [It] would greatly improve the effectiveness of philanthropy if that existed' (interviewee).**

To some extent this criticism reflects a worldwide phenomenon. Investigative journalism is being crowded out by the 24-hour news cycle and the depth and detail of McDonald's work is rare now in any context. Some have also argued against any element of accountability beyond minimum legal requirements:

**'To be transparent costs money, it costs time, it costs resources. ... If the foundations are going to be punished - because that's what accountability is, there are consequences... the money, the time, the energy can be better spent elsewhere' (Aspen Institute 2012).**

The framing of accountability here as punishment goes against any idea that transparency and accountability contribute to the sector's public benefit.

This makes the role of critical voices from within the sector all the more important. Gara LaMarche, former President and CEO of major funder Atlantic Philanthropies and head of U.S. programs for Open Society Fund, harks back to a more critical era when he reiterates the importance of healthy skepticism about the role and value of big philanthropy. He has criticised the failure to invest in grassroots community organising and argues that progressive and centrist philanthropy needs to learn from conservatives who are more willing to invest in organisations over longer periods and to build their

capacity (LaMarche 2013). La Marche has also pointed to the importance of foundations learning from their grant recipients, in a reflexive methodology that speaks to the importance of the social sector's accountability to those it serves and supports.

The role played by radical critics provides another interesting element of American philanthropic accountability. For U.S. watchdog the [National Committee for Responsive Philanthropy \(NCRP\)](#), the power imbalance between the wealth (and therefore means) available to philanthropists and the need (and therefore vulnerability) of the communities they support lies at the heart of their monitoring of U.S. philanthropy. NCRP was founded to 'break the power imbalance between donors and recipients, bringing the voice of grantees into the space of granters and nonprofits' (interviewee), NCRP views philanthropic money as 'partially public' and works to ensure philanthropy benefits those least well off, including communities on low incomes; as well as to pursue systematic reforms in the world of philanthropy (ibid). NCRP advocates a funding formula that would address La Marche's critique of philanthropists failing to invest adequately in community organising and social justice causes. Their watchfulness extends also to governance, where they have criticised a lack of transparency over foundation Boards compared with the Boards of nonprofits, particularly in investment decisions (Jagpal & Craig 2009).

## Chapter Three

Accountable to whom?

The funding of nonprofits activities is often central to criticisms about a lack of independence. Another critical perspective from a feminist collective argues that any organised funding carries with it a risk to independence.

**We as activists are no longer accountable to our constituents or members because we don't depend on them for our existence. Instead, we've become primarily accountable to public and private foundations as we try to prove to them that we are still relevant and efficient and thus worthy of continued funding (De Almeida 2007).**

In this approach to public trust and confidence, how charities and nonprofits manage the transparency of their funding arrangements against accountability to their core mission is viewed as critical both to their independence and to the perception of that independence.

As we've seen, U.S. philanthropy has long been subject to public interest in what it is doing. Such public interest has ranged from independent reflection to vehement criticism and much in between. As organisations that rely heavily upon public support for their capacity, trust and confidence can easily fall prey to these critiques. Transparency and accountability are powerful tools in developing and maintaining that public trust and confidence. They can also protect organisations against the kind of reputational damage that leaves charities and nonprofits without the support so critical to their capacity. But their value lies not in disguising or diminishing the impact of certain factors like our reliance on resources or our relationships with funders. In the age of data, that information is both available and increasingly accessible. The value of transparency and accountability over these factors lies in the sector's capacity to provide leadership in the conversations informed by those data.

### Chapter Three Key Finding

**5. Strength and independence of voice are directly linked to the trust and confidence with which charities, philanthropists and nonprofits are held.**

American nonprofits fear that the heavy partisanship of contemporary politics is a great risk to them speaking out, particularly about social issues and how best to address them. But the risk of public exposure or challenge has been present in the U.S. nonprofit sector for at least the past 100 years. Indeed, it is a risk that has forced philanthropists particularly to be transparent and accountable precisely so they have a legitimate voice in public debate. This is a salient lesson for Australian charities, both for their own independence and in the interests of expanding philanthropy within Australia. It is a critical reminder that strength and independence of voice are directly linked to the trust and confidence in which charitable organisations are held.



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# Conclusion

## A call for a sector-led agenda on transparency and accountability in Australia

Through increasing levels of data available on ever-expanding platforms, digital disruption has the potential to affect any organisation at any time. Charities and nonprofits are no less vulnerable to that potential than any other sector; nor can they control it. What they can influence is the data they make available and how it is used. By leading the production, analysis and dissemination of their own data, charities can lead the conversation about what they do and why it matters. Leading that conversation matters because through it, charities gain the trust and confidence of the public; and through that, charities attract the resources to meet their purpose.

America's philanthropic and nonprofit sectors show strong and established leadership in precisely these ways. That leadership hasn't necessarily evolved naturally; some of it was prompted by crisis, as the emergence of the U.S. Foundation Center out of McCarthyism demonstrates. But whether through opportunity or crisis, American nonprofits have developed the infrastructure, the research capability and most importantly the culture of transparency and accountability that has enabled them to build knowledge about the sector themselves.

**For charities and nonprofits** There is much Australia's nonprofit sector can learn from the U.S. experience of transparency and accountability. First and foremost, research and analysis of nonprofits by nonprofits underpins a strong and valuable sector-led research agenda. While the public availability of comprehensive, reliable data through official channels like the ACNC can provide a much-needed baseline, nonprofit organisations themselves must develop their own mechanisms and processes to build the knowledge base about what they do and why it matters.

A clear example here is the importance of nonprofits talking openly and directly about what it takes to run effective nonprofit organisations. So-called 'overheads' are actually elements of capacity and capability that ensure impact, for example in the training and professional development of staff. But to tackle myths like this, charities need shared expectations that enable communities, organisations and funders to work together to measure impact and demonstrate effectiveness.

The strength of voice of charities is not only important in terms of how they talk about their own work. Even more importantly, charities need a strong voice on the issues and needs they understand directly through their work in communities; and as critical elements of a strong and independent civil society. Whether this voice is directed at charitable activities where positive impact is not occurring or at the failure of government policy, evolving data and a strong culture of research around it are critical to sustaining the voice of charities in public debate.

## Conclusion

### A call for a sector-led agenda on transparency and accountability in Australia

From such a knowledge base, there is huge potential to foster further research processes to test and improve charitable impact. Charities could track progress towards stronger community infrastructure. Charities could evaluate civic participation. Charities could measure health and wellbeing outcomes. In the same way that parts of the social sector have developed their own quality improvement or self-regulatory processes, the possibilities for measurement and evaluation are limitless and evolving. There is no single answer to how charities should achieve good measurement and evaluation. Methods abound: they are used by some organisations and abandoned by others; and still there are many parts of the sector that conduct no evaluation at all. The development of benchmarking and ratings systems is just one such example; with even those who run such systems acknowledging their flaws and limitations. What matters more is the growing importance of measuring effectiveness; and the appetite for charities and nonprofits to lead how that is done.

**For philanthropists** The critical role of philanthropy in these processes is an equally important lesson from the US. Whether philanthropists regard themselves as part of the charitable sector or not, they play an important role in its leadership. Their voices must be heard in the effort to maintain and enhance transparency and accountability: for the strength of their own organisations and those they fund; and for the benefit of the community overall. The strength and independence with which American foundations have argued these points for over a century, and the vibrant culture of philanthropy that has endured as a result, is useful impetus for Australian efforts.

**For funders** including both government and non-government, there is also a key role supporting capacity-building in the charitable sector, to help charities better collect, understand and use data. Key questions to guide such data collection include where will funding be best directed? How can collaboration improve impact? How do we avoid the creation of false economies through savings on organisational or social infrastructure that undermine our purpose?

**For policy-makers** While international lessons are useful, there is much for Australia to be wary of from the U.S. example. The tradition of a strong welfare state in Australia has been a key protective factor against some of the most significant challenges American charities and philanthropists are tackling, such as the rise of inequality to devastating levels in the U.S. No amount of charitable or philanthropic effort can counteract the lack of basic institutions like affordable housing and decent wages; a hard lesson learned in the U.S. In pursuing more effective charities and increasing philanthropy in Australia, we mustn't weaken the critical role of the state in community wellbeing (ACOSS 2015). These can be mutual aims, and there are benefits in pursuing them simultaneously, but we cannot replace one with the other.

The national platform for transparency and accountability provided by the ACNC is another strength of the Australian context unparalleled in the US. The establishment of the charity Register, and the publication of annual reports by charities, heralds a new era of transparency and accountability in Australia. Charities shouldn't stop there!

The ACNC provides a foundation upon which to build the stories about the work of charities in Australia; but it isn't the endpoint. How will charities review, analyse and use these data? What data will charities leverage to strengthen their relationships in and with the communities they support? How will they determine whether charities are doing a good job; or doing enough? Will charities challenge each other when the evidence shows they're not?

The charitable sector organises itself in all sorts of ways that are ideal for leading its own transparency and accountability agenda: through peak bodies; through research collaborations; through public-private partnerships. There's potential for entirely new entities to lead and coordinate research. Charities can choose any or all of these paths; or others entirely. They can leverage the innovation, skill and expertise that has kept charities relevant in Australia for more than a hundred years and come up with new approaches and fresh thinking to achieve these goals. Already, several charities have taken on the challenge to extend transparency and accountability (see for example VCOSS 2014, Justice Connect 2015, NCOSS 2015).

In the age of disruption, charities and nonprofits have the chance to disrupt themselves, to lead new and different conversations about what they do and why it matters. There is no prescribed approach and – as the history of this sector has taught us time and again – they are likely to find many and varied ways to do it. They have time to try and fail, to test and improve, the ways of using charitable data to develop knowledge about the sector. The only thing charities cannot afford is to do nothing to sustain the trust and confidence of the people and communities upon which they rely.

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### Appendix: Government, nonprofit and philanthropic organisations included in this research

Meetings with representatives of the following government and non-government (including charitable, nonprofit and philanthropic) organisations during my Fulbright-funded research in the U.S. have informed the analysis and research findings in this Report.

#### Detroit

8th Day Center for Justice  
MoveOn.org  
New Media Ventures

#### New York City

All Out  
Change.org  
Charity Navigator  
Community Voices Heard  
Dance for Parkinsons Disease  
Everytown  
International Human Rights Funders Group  
Iraq and Afghanistan Veterans for America  
Media Matters  
National Domestic Workers Alliance  
NYC Attorney-General's Department  
Open Society Foundations  
Purpose  
The New York Times  
The Syria Campaign  
Working Families Party

#### San Francisco

Centre for Story-Based Strategy  
Citizen Engagement Labs  
Credo Action  
FWD.US  
Levi Strauss Foundation  
McLeod-Grant Advisors (Social Impact Consulting)  
Peers.org  
Rockwood  
Sum of Us  
Tides

#### Washington DC

Australian Embassy  
Business Forward  
Centre for American Progress  
Centre on Budget and Policy Priorities  
Democracy Alliance  
Democratic National Committee  
Emily's List  
Exempt Organizations Tax Journal  
Ethical Electric  
Facebook  
Guidestar  
Housing Partnership Network  
IRS Exempt Organizations Division (former officials)  
NAACP  
NARAL  
National Alliance to End Homelessness  
National Committee on Responsive Philanthropy  
New Organizing Institute  
US Treasury  
Virginia Democrats  
World Bank

#### List of interviewees

**Ken Berger** then CEO, Charity Navigator  
**Elizabeth Boris** Director, Center on Nonprofits & Philanthropy, Urban Institute  
**Emilie Fokkelman** Global Partnership for Social Accountability, World Bank  
**Niki Jagpal** Research and Policy Director, National Committee for Responsive Philanthropy  
**Larry McGill** Vice President Research, Foundation Center  
**Ariyeh Neier** former CEO, Open Society Foundations