

Regional

Non-profits play important role in society

Non-profit organizations are becoming more common and influential in today's world, serving all kind of social functions. It is estimated that there are about 1.5 million of them in the United States alone. This growing movement has become the source of much study, and one of the leading experts in this area is Julie Pietroburgo, an associate professor in the department of public administration and policy analysis at Southern Illinois University Edwardsville.

"A non-profit is organized for charitable, educational, or research purposes, but it usually has a charitable mission at heart, and has certain tax advantages under our tax code," explained Pietroburgo. "Examples of such organizations are the Red Cross and the United Way." Born in Ames, Iowa, she grew up in Kansas City, Mo. Her first degree was in journalism from the University of Missouri in Columbia. She later earned a master's in public administration from SIUE and a doctorate in public policy from St. Louis University. Given that non-profits rely almost exclusively on donations, one wonders if the current financial crisis has affected their operations.

"Even in the midst of the economic downturn in 2008, we really saw very little degradation of giving," she said. "There was a slight downturn in 2009, but generally philanthropy, giving, and donations have been on an upward trajectory for the past 50 years." It is also interesting to note that these types of organizations are particularly strong in the United States as compared with other countries.

Recently there has been controversy regarding potential political motivations in the way the Internal Revenue Service reviews organizations' requests for tax-exempt status.

"The regulations and rules are such that your donative dollars must be shown to have a direct effect on those you're helping," Pietroburgo said. "Non-profit organizations have to file with the IRS and show how their money is being spent and where it is going. There has been increased scrutiny in the past 15 years of what exactly is a non-profit, and for the tax exemption benefits these non-profits are being given, are they fulfilling their charitable purpose, or are they in more a profit-oriented mode?" Another source of controversy are non-profit organizations that have been established by corporations as their giving agents. In some cases these sponsors have



Photo by Bill Brinson

Dr. Julie Pietroburgo

an agenda, which is usually to support the goals of the corporation.

"I tell students that they have to be realistic and a bit skeptical about giving from corporations," she said. "Because while there are big dollars to be had, there is always a business purpose to be served by the corporation giving." Most non-profits, she added, spend incredible amounts of time and effort asking for money, a little understood but highly sophisticated operation that some are definitely better at than others.

Aldemaro Romero Jr. College Talk

"Generally, the rule of thumb has been that non-profit organizations ought to keep administrative costs to about 15 percent of the earnings budget," she said. "I think that it is beginning to be understood that as admirable as that is, the non-profit world is very competitive. You have to get your name out there, and that isn't inexpensive to do. I think that it's becoming understood that traditional business tactics like marketing, advertising and public relations are absolutely necessary if you're going to play the game." Another area that Pietroburgo has studied is what happens when non-profits merge, a term usually associated with the corporate world.

"Non-profits have not usually gone out of business," she said. "They can limp along, maybe out-live their mission, but they tend to not have the same kind of metrics as for-profits. We have seen that some non-profits are realizing if they are going to grow and be strong, that they have to merge with other organizations that are like them." One sector that is influenced greatly by non-profits is the area of health care.

"The whole healthcare area is an animal within itself," she said. "What are their obligations towards people who come to their doors with no insurance? People have begun questioning the non-profit status and the structures of some hospitals." When asked if we could live in a world without non-profits, Pietroburgo is categorical.

"Without non-profit organizations, you would have situations where people would have to rely on for-profit organizations and their neighbors for help and services," she said. "It's hard to imagine non-profits not being there because they are so fundamental. I think they're an essential part of our economy, philosophy and society. I'm so entrenched in it, it's hard to imagine them not being here."

Aldemaro Romero Jr. is the Dean of the College of Arts and Sciences at Southern Illinois University Edwardsville. His show, "Segue," can be heard every Sunday morning at 9 a.m. on WSIE, 88.7 FM. He can be reached at College_Arts_Sciences@siue.edu.

"People who are good at fundraising understand that the donor-organization relationship is just that – a relationship," Pietroburgo said. "It's built over time and benefits not only the non-profit, but also the donor. It's very much all about relationship building. It doesn't happen overnight, or through a letter, or from a single event." Some of the donors' money goes to marketing and advertising, which has led to questions about whether it is appropriate to spend donors' money in such ways.