

**Audit of CARE Humane Society:**

**Legal Compliance, Effective Governance, Financial Oversight, and Fundraising**

Abbey Crank, James Berry, Riley Howland, & Cate Uebelacker

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Dr. Jock

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## Section 1: Legal Compliance and Public Disclosure

### Principle 1: Whistleblower Policy

A whistleblower policy according to Aviv and Compton in *The Principles Workbook* states that “a charitable organization should establish and implement policies and procedures that enable individuals to come forward with information on illegal practices or violations of organizational policies. The whistleblower policy should specify that the organization will not retaliate against, and will protect the confidentiality of, individuals who make good-faith reports” (2019). CARE does not currently have a whistleblower policy enacted, if an issue arises, the current procedure is to bring all issues to the shelter director, TJ McCullough, directly. An issue with this is that many staff members are usually too intimidated to discuss issues with her one-on-one. As we look at CARE’s office dynamics, we think there needs to be a policy put in place to make staff members feel safe enough to come forward to McCullough with their concerns. Another flaw is that there is no privacy within her back office. TJ’s door does not fully shut, and her office is right in the middle of the building. This means many staff members see and hear what’s discussed from her office. For a staff member to feel shielded from unwanted eyes, the door must be fixed to allow privacy for someone to come forward.

In addition to outlining what a whistleblower policy is, *The Principles Workbook* dives into four foundational concepts found within whistleblower policies. The first concept mentioned is “every organization should have a confidential process for addressing complaints or reports of suspected illegal or unethical activities” (Aviv & Crompton, 2019). As mentioned above, there is no formal process in place, it is just bringing the issues to the shelter director. A form or new procedure needs to be created that can allow anyone to come to TJ or at least bring the issue to her attention without having to actually discuss with her immediately about the issue. CARE

should create an online or paper form that can be completed with the person's name coming forward about the issue, the date in which it started, and a brief description of the issue. Once this form has been filled out and seen by TJ, then will the person meet with her to explain the entirety of the issue.

The second concept is that “staff and volunteers need to feel safe to report unacceptable acts” (Aviv & Crompton, 2019). This precept goes hand-in-hand with the first one. Enacting a policy like the one proposed above may give people the confidence they need to bring misconduct reports forward. Another solution to making sure staff and volunteers feel protected while reporting would be to appoint a different administrator to document their concerns. If TJ is one of the reasons information is being withheld, then switching to a more approachable administrator may be a smart decision.

“Retaliation against whistleblowers can be a criminal act that applies to all organizations” is the third concept. This principle states that the reporter cannot be persecuted just for speaking up. Since CARE does not have a whistleblower policy, their current response to misconduct/performance issues is a clear-cut process. First, the director gives verbal counseling and warning. If offenses continue, the staff member gets written up. If issues still arise, the worker is put on probation or terminated based on the severity of the employee's performance. When drafting the whistleblower policy, it is important to emphasize reports will not cause trouble for the whistleblower. In CARE’s case, this means reports should not cause an employee to move up the termination ladder.

The final explanation for having a whistleblower policy is “appropriate internal controls can help alleviate the occurrence of unacceptable acts.” CARE currently has the shelter director, TJ, resolving any and all employee performance issues within the organization. A potential

solution for addressing and resolving misconduct reports could involve establishing a board committee that specializes in whistleblower complaints efficiently and effectively. This could also ensure more anonymity for the reporter to protect their privacy if the issue involves administrative staff.

Alongside the core concepts about whistleblower policies are best practices when enacting the policy. Specificity and clarity are essential when drafting the policy to ensure staff fully understands its purpose and protections. The document should also include a retaliation clause that the employee reporting the misconduct won't be fired from CARE for doing so. Lastly, the policy should of course be in accordance with organizational missions, values, and federal regulations.

### **Official Document 1: Whistleblower Policy**

#### CARE Humane Society

In order for CARE Humane Society to continue growing and furthering its mission, the organization's board members, employees, and volunteers must be in compliance with all laws, rules, and policies in place. This policy is going to be enacted for any staff, board members, and volunteers to come forward if there are any violations of these laws and regulations, or any general misconduct within CARE. These misconducts must be related to the business and mission of CARE, simple human misconduct should not be reported via the whistleblower policy.

This policy was created to allow a whistleblower to feel comfortable in reporting these violations and misconducts to the shelter director and the separate board committee dedicated to resolving these issues. If the person is not able to disclose the information to the director, then

the next available person to report to would be the kennel and behavior manager, Savanna Hill. Any reports to the shelter director, manager, and the board committee will be confidential.

Once the issue has been reported and disclosed, an investigation will be conducted to have full understanding of said issue. Again, this investigation will also remain confidential until the root of the issue and all relevant information has been surfaced. The separate board committee dedicated to helping resolve these whistleblower issues will be the primary leaders spearheading the investigation and only involves the proper staff or volunteers when absolutely necessary.

When the whistleblower comes forward with this information and the investigation begins, this policy will ensure that the person bringing the claim forward will not be retaliated against—even if the report is false. They will not immediately be persecuted against, or potentially released/fired from the organization for bringing forward the information. Once the investigation is complete, then will the proper steps be taken to ensure staff, employees, and volunteers are also acting in accordance with the guidelines outlined in the Personnel Policies.

#### Principle 2: Availability of Information to the Public

The meaning of information availability is best stated as “a charitable organization should make information about its operations, including its governance, finances, programs, and activities, widely available to the public. Charitable organizations also should consider making information available on the methods they use to evaluate the outcomes of their work and sharing the results of those evaluations” (Aviv & Crompton, 2019). CARE is very open with most information making it available online for anyone to see. They disclose information regarding the adoption and intake rates each day and then another newsletter that compiles the

total adoptions and for the whole year. That campaign is released every year in December and is called “No More Wasted Lives.” This past fiscal year starting from October 1, 2023 and going through September 30, 2024 CARE took in 1696 pets, 1185 were adopted, 598 were spayed/neutered, and 79 animals were trapped, neutered and released. Additionally, there were 14,810 total volunteer hours, 74 transports to rescues, and 3,496 active fosters. CARE is also above a 90% live release rate, making them a no kill shelter.

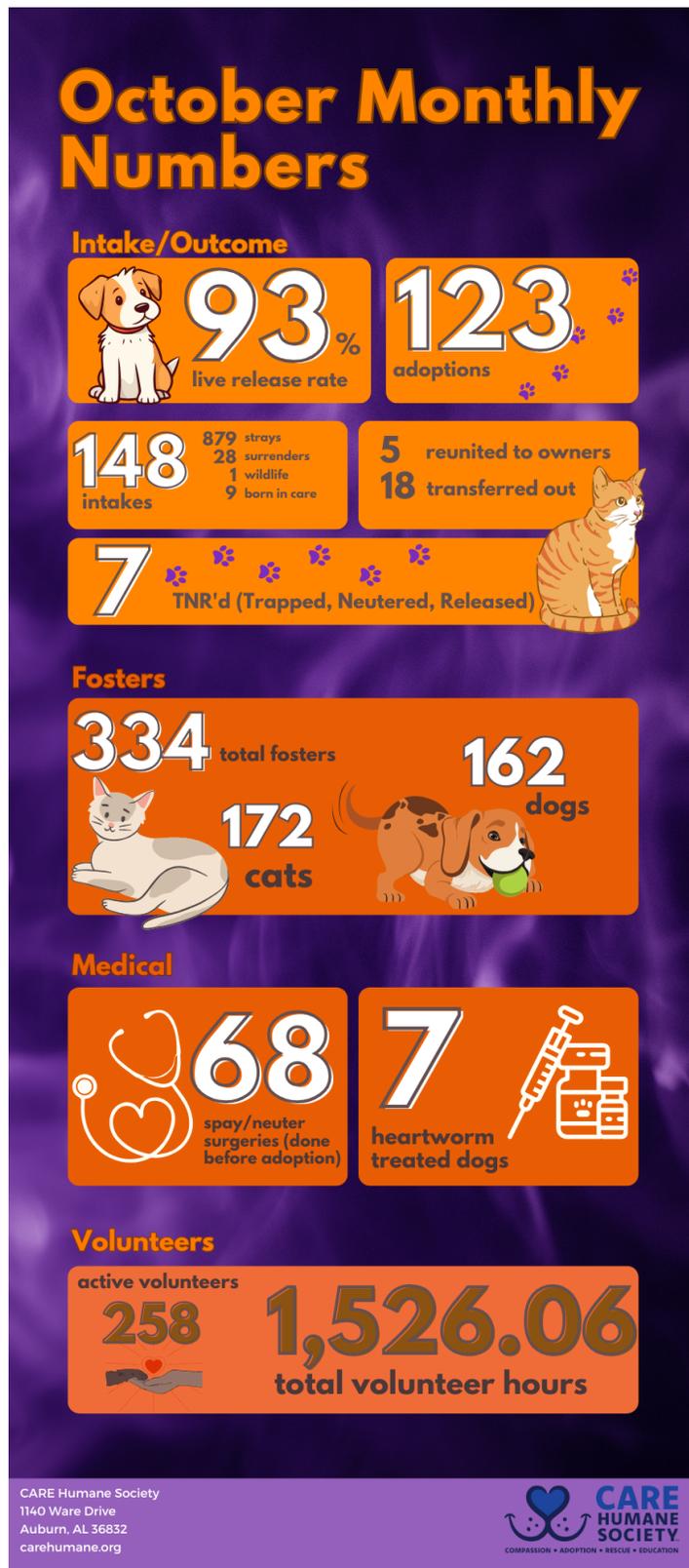
The concepts mentioned in the workbook that go along with the principle of availability of information are as follows: transparency is essential to earn the public’s trust; the board should understand what must be public information, what should be shared with the public, and what must be guarded as confidential information; posting the IRS Form 990 on the internet is the easiest way to meet the IRS public availability requirement; and lastly, a professional, clear, accurate website promotes transparency and can act as a central repository for organizational information (Aviv & Crompton, 2019).

Diving into the first principle, “transparency is essential to earn the public’s trust” is very straight forward. People are going to be more willing to donate and give of their time to your nonprofit if there is complete assurance. CARE is very forthright as most of their forms can be found on GuideStar and throughout their official website. The next principle states that “the board should understand what must be public information, what should be shared with the public, and what must be guarded as confidential information; posting the IRS Form 990 on the internet is the easiest way to meet the IRS public availability requirement.” CARE does follow this principle by having their Form 990 on GuideStar. In addition to having the Form 990 and other important forms available on Guidestar, CARE has been trying to send out monthly newsletters for the local community and involved donors. The final principle mentioned is “a

professional, clear, accurate website promotes transparency and can act as a central repository for organizational information.” CARE has a very inviting and easy to navigate website. They have a perfect balance of key information, but also tons of images of the lovable animals they take in. The only suggestion for improvement is keeping information updated consistently when programs are changed.

The best practices for this principle would be ensuring that the concepts mentioned above are consistently at their greatest potential. With a transparent website and important information available for public access, the humane society is not withholding much. CARE also makes graphics such as the one below to display and inform the public about the shelter’s monthly/yearly statistics. The graphic below is based on their numbers from all of October 2024. This graphic was created to help CARE provide statistical information in their newly released November newsletter. Creating and sharing these graphics demonstrates that CARE’s mission is making an impact in the community, highlights the truthfulness and positive use of donor’s money, and enhances the overall credibility/image of the shelter.

## Official Document 2: Availability of Information to the Public, Shelter Statistics



## Section 2: Effective Governance

### Principle 1: Review Mission and Goals

A nonprofit's mission and overarching goals are the foundation that guides every action within the organization. Without a clear-cut mission, a nonprofit may not serve their main purpose. According to *The Handbook of Nonprofit Governance*, a nonprofit's mission is the reason it operates. The handbook states, "A mission statement captures the reason and the need and communicates succinctly what inspires the organization to meet those needs" (BoardSource, p. 20-21). The primary drivers that steer a nonprofit in the right direction should be its trusted board members, relying on the NPO's mission as their roadmap. *The Principles Workbook* echoes the importance of consistent evaluation of a nonprofit's mission. Aviv and Crompton write that "the board is the guardian of the organization's mission and should review the mission periodically" (2019). Not only should a nonprofit review its mission regularly for its effectiveness, annual review is required every year when filing out the Form 990. If this isn't done, the organization is at risk of losing its tax-exempt status.

CARE Humane Society's board makes sure to review the mission, vision, and long-term goals annually. CARE's mission is to "advance humane treatment and responsible ownership of companion animals through community education, animal sheltering and adoption, and alleviation of animal suffering" (CARE, 2024). CARE's vision statement is to "be the leading advocate for companion animals in our community. We envision a future in which animals are valued, pet overpopulation is eliminated, and every adoptable companion animal has a loving and responsible home" (CARE, 2024). Whenever new programs, ideas, or partnerships are brought to the board, every board member votes with these two statements in mind. Ambitious long-term goals must still be seen as realistically attainable. The main target CARE is striving for

is to build a new facility within the next decade. As Lee County's stray animal population skyrockets, the amount of room CARE has rapidly dwindles. Overpopulation is the norm, especially in the last few months. Recruiting more fosters to help ease shelter overcrowding is viewed as a temporary fix rather than the solution. This is why the humane society hopes to open a second facility to host more strays comfortably as they wait for their forever homes.

When it comes to reviewing the mission and reaching goals, CARE's board does spend time brainstorming how to make the organization flourish. On the board, there are lawyers and accountants who help administration know what is and is not achievable. Upon reviewing the board's practices, we still see areas needing improvement. When board members get too comfortable, they may shift from being attentive to becoming permissive as new issues emerge. A recommendation would be reminding board members about the harsh reality of CARE's mission by showing the animals within the shelter that need help. Administrative staff have expressed concerns about members being passive in fulfilling their duties to achieve their long-term goals. Regular workshops between board members and administrative staff can also remind the board why their attention and due diligence are needed with every vote and meeting. There are no recommendations for CARE's annual mission statement evaluation process as it satisfies the requirements portrayed in *The Principles Workbook*.

### Principle 2: Board Responsibilities

Depending on a nonprofit's purpose, size, and geographical location, the board's responsibilities may vary significantly from one organization to another. Responsibilities may differ, but the overarching goal is the same: maintain effective leadership, progress, and sustainability of the NPO. Without clearly defined job requirements for board members,

important tasks may be overlooked or completely neglected. *The Principles Workbook* explains that “the board is responsible for governing and overseeing the affairs of the organization” (Aviv & Crompton, 2019). The Handbook of Nonprofit Governance reaffirms the workbook by stating that the board responsibilities are categorized into three main aspects: setting direction, overseeing organization affairs, and ensuring adequate resources (BoardSource, p. 287). As noted in the previous principle, all board responsibilities and decisions must align with the organization’s mission and strategic direction.

Additionally, it’s also important for the board to collaborate respectfully and closely with the CEO and administrative staff to reach the most effective solutions. One of the board’s responsibilities, as outlined by Aviv and Crompton, is to implement clear policies that cover areas such as compensation, governance, and budget. Without sharply defined regulations, the nonprofit organization and board members lose their safeguard. All aspects of a board’s responsibilities are vital for a successful nonprofit. Without a self-sufficient board governed by clear regulations, essential documents, and practices, federal and state regulations may be overlooked, jeopardizing the nonprofit’s mission. If the board becomes complacent, the staff may soon follow. Board and staff responsibilities must align and work in tandem to ensure nothing is overlooked.

The CARE Humane Society board’s level of activity can vary depending on the specific tasks or requirements at hand. The board seems to focus more on the “big picture” of CARE’s future. This involves reviewing the mission/vision statements, developing long-term plans and goals, approving the annual budget, approving collaborative opportunities with other businesses, and shelter director/administrative staff evaluations. Board structure and governance involve numerous responsibilities: board member recruitment, education, meeting agendas, and activity

policies. The board is composed of 20 members, divided into two committees: the Shelter Operations Committee and the Outreach/Development Committee. The Shelter Operations Committee collaborates with the shelter director and administrative staff on daily operations, while the Outreach/Development Committee meets with CARE's Director of Development, Jenny Warren, to discuss fundraising opportunities, events, and donor relations. The entire board meets on the first Thursday of every month, with each separate committee also convening monthly. Every member of the administrative staff is required to submit a report for the board to review and discuss at each meeting. These reports include statistics, challenges, complaints, successes, and all of the essential details.

While the board is successful in areas such as public relations, budgeting, staff hiring, and creating/overseeing the annual budget, many staff members think of the board as a "hands-off" governing body. Members may give donations, but they aren't helping bring new connections and resources to CARE's mission. There seems to be a disconnect in what responsibilities are expected and what is communicated, leading to unspoken conflict between administrative staff and board members. One suggestion from the auditing team is for the Director of Development to meet with the board and clarify their role in resource allocation. One approach the director can take is to have board members commit to raising \$5,000 by leveraging their connections to the shelter and securing additional local resources to support CARE's mission. Another approach could involve the shelter director and development director meeting one-on-one with the board president to discuss their concerns. This allows for initiative to come from the president rather than being seen as a demand from paid staff. Whichever option is chosen, it is certain that this needs to be included in the next meeting agenda.

### Section 3: Strong Financial Oversight

#### Principle 1: Annual Budget, Financial Performance, and Investments

In nonprofit governance, the "Annual Budget, Financial Performance, and Investments" principle is essential for ensuring that an organization's expenses and profits align with its mission while also promoting sustainability. According to the *The Principles Workbook*, an NPO's budget is "the financial expression of an organization's yearlong plan." (Aviv & Crompton, 2019). This "financial expression" emphasizes structured budgeting, regular financial assessments, and responsible investment strategies.

By adopting these practices, nonprofits can allocate resources effectively, make informed decisions, and demonstrate accountability to stakeholders. Best practices include creating a realistic and comprehensive budget aligned with organizational goals, consistently reviewing financial performance to adjust spending or fundraising as needed, and responsibly investing available funds with policies that balance financial returns with social and ethical responsibilities. Strong financial oversight—such as setting expenditure controls and establishing board-level review processes—is vital as it states in *The Principles Workbook*. Keeping up with a nonprofit's annual budget and recording every dollar correctly is also crucial for any NPO to maintain its tax-exempt status. Without consistent board involvement, an organization is at risk of important statistics and reports falling through the cracks. These measures cultivate consistent efficiency while also promoting openness and building trust with donors, beneficiaries, and the local community.

Examining CARE Humane Society's alignment with this principle reveals both strengths and areas for improvement. The organization's 2024 annual budget is set at \$1,152,238, a well-

defined figure that serves as a financial blueprint for the upcoming year. The humane society's funding sources reflect significant community support, with contributions from both the Auburn government (\$187,467) and the Opelika government (\$129,771). These contributions illustrate the local governments' commitment to supporting the CARE's mission. It also highlights how the shelter's mission positively supports government programs, such as Auburn and Opelika Animal Control. CARE's services help alleviate the workload and stress of local animal control workers. Additionally, the organization has raised \$49,132 in grant funding for the year, demonstrating its proactive approach in securing external funding.

However, while this financial data suggests a sound funding base, there are several areas where CARE can enhance its adherence to best practices. First, given the organization's size and public support, it would be beneficial to develop a more detailed breakdown of the budget. Allocating specific amounts to programs, operational costs, and reserve funds would promote transparency, allowing board members and stakeholders to see precisely how resources are utilized in support of the mission. This practice would also facilitate financial monitoring, ensuring that the organization remains on track with its strategic objectives. Second, expanding grant-seeking efforts could bolster the organization's financial resilience. Although the shelter has raised \$49,132 in grants, additional funding from grant-making institutions could enhance the organization's ability to weather financial uncertainties. By diversifying funding streams, the organization can reduce its reliance on government contributions, fostering greater financial stability.

The organization could benefit from implementing an investment policy. An investment strategy would allow CARE Humane Society to prudently manage any surplus funds, ensuring that resources are available for future needs and generating returns that support ongoing

operations. Developing a written investment policy that aligns with the organization's mission and financial goals would allow it to manage resources more effectively and sustainably. Implementing monthly financial reviews and reporting is essential for maintaining accountability and transparency. With substantial support from Auburn and Opelika, regular financial updates to the board would strengthen oversight, ensuring that financial practices align with the organization's policies and goals. Monthly reviews would also allow for quick adjustments if financial performance deviates from the budget, promoting responsiveness and stewardship.

To achieve these enhancements, the organization's Board of Directors and Finance Committee should lead the development of an investment policy, oversee the allocation of funds, and ensure regular financial reporting. Additionally, a Development Officer or Grants Specialist could focus on expanding grant revenue, further diversifying the funding portfolio and building relationships with grant-making organizations.

In summary, CARE's annual budget and community funding reflect solid financial planning and local support. However, by taking steps to enhance budget transparency, expand grant opportunities, establish an investment policy, and conduct regular financial reviews, the organization can improve its alignment with the "Annual Budget, Financial Performance, and Investments" principle. These steps will not only strengthen its governance but also contribute to its long-term financial health and fulfillment of long-term goals.

#### Principle 2: Resource Allocation for Programs and Administration

The "Resource Allocation for Programs and Administration" principle emphasizes the strategic distribution of an organization's resources to effectively fulfill its mission. This principle involves balancing expenditures between program services, which directly advance the

organization's goals, and administrative functions, which support operational efficiency and governance. Core concepts and best practices for this principle include mission-driven budgeting, transparency, regular financial analysis, administrative efficiency, and engaging stakeholders in financial planning. Mission-driven budgeting ensures that resources are allocated in alignment with the organization's objectives, prioritizing funding for program services to achieve the desired outcomes. Transparency in financial documentation fosters trust with stakeholders and helps meet regulatory requirements, while regular financial reviews allow the organization to assess the effectiveness of its resource allocation and make adjustments when necessary. According to *The Principles Workbook*, "all costs, including staff and overhead, should be included when assessing the cost of programs and services" (Aviv & Crompton, 2019). Administrative efficiency is essential for optimizing funds so that a larger portion supports programmatic work, and involving board members, donors, and community members in financial planning aligns resource allocation with both organizational and community priorities.

Evaluating CARE's alignment with this principle, the organization demonstrates a strong commitment to its mission through programs such as animal sheltering, adoption services, and community education, which directly support humane treatment and responsible pet ownership. However, based on the information in Form 990 and the organization's website, specific details on the distribution of funds between program services and administrative functions are not provided. Currently, CARE Humane Society shows compliance with this principle by offering mission-driven programs, but could enhance transparency and financial efficiency by clearly documenting how resources are allocated between programs and administration. This statistic is one of the only areas CARE doesn't fully share on monthly newsletters or Guidestar.

To achieve full compliance, several next steps are recommended. First, CARE Humane Society should develop comprehensive financial statements that clarify expenditures for both program services and administrative support, promoting transparency and stakeholder trust. Establishing formal policies for budgeting, financial reporting, and resource allocation would enhance consistency and accountability in financial management. Periodic internal or external financial audits would provide a clear view of financial practices and adherence to established policies, while board members could play a greater role in financial oversight by receiving training in financial governance and participating in budgetary decisions. To support these goals, the board of directors should lead the development of these financial policies, while the executive director and financial staff manage daily financial operations, prepare detailed reports, and facilitate audits. Forming a finance-specific committee would also provide additional oversight and informed recommendations to the board. By adopting these improvements, CARE Humane Society can strengthen its alignment with the "Resource Allocation for Programs and Administration" principle. These steps will ensure that resources are used effectively to advance the organization's mission while promoting transparency and accountability in financial governance.

## Section 4: Responsible Fundraising

### Principle 1: Importance of Oversight in Fundraising

Fundraiser oversight is a key principle for nonprofits. It ensures that fundraising efforts are aligning with the organization's ethics, financial goals, and legal/federal requirements. This principle focuses on the fact that organizations should provide appropriate training and supervision to all who solicit funds on their behalf, whether they are employees or external contractors. Effective oversight included clear guidelines, behavioral expectations and legal compliance to protect the organization's reputation and donor trust. *The Principles Workbook* points out that "an organization's board should ensure oversight to maintain transparency and accountability in all fundraising practices" (Aviv & Crompton, 2019).

At CARE, the director of development, Jenny Warren, regulates fundraising activities in collaboration with the Outreach & Development committee, chaired by Tarci Henry, and 13 other board members. The committee actively collaborates with Warren to oversee and support various fundraising initiatives. Warren also has Abbey Crank, a development specialist, that helps with every fundraising collaboration and event. The teamwork CARE uses is an approach that the workbook recommends, emphasizing that fundraising should be a shared responsibility among staff and board members (Aviv & Crompton, 2019). CARE has a structured fundraising plan targeting \$305,000 through various campaigns and social events, with specific allocations such as \$75,000 for the "No More wasted Lives" campaign and \$60,000 for the "Summer of Second Chances." This segmented approach demonstrates a strategic attempt to meet fundraising goals while engaging the community in CARE's mission. This segmentation reflects *The Principles Workbook* by setting clear, attainable goals through fundraising efforts which help

avoid donor fatigue and maintain a steady flow of donations year round (Aviv & Crompton, 2019).

CARE's existing oversight aligns with the workbook's best practices, showing a thoughtful division of responsibility between staff and board members. However, to strengthen oversight, CARE could implement regular progress evaluations of each fundraising campaign, strengthening the committee's resources for mid-year assessments. A recommendation would be to establish a Fundraising Oversight Policy that formalizes roles, reporting expectations, and compliance checks. This policy can ensure long-term accountability and provide a strong framework for the future.

#### Principle 2: Compliance with Donor Intent

Respecting donor intent is another core principle that builds trust and ensures long-term donor relationships. Nonprofits must allocate funds strictly according to donors wishes, whether specified in solicitation material or directly by the donor. *The Principles Workbook* emphasizes that "all donations should be allocated according to the specific wishes of donors, ensuring transparency and adherence to ethical standards" (Aviv & Crompton, 2019). This principle not only safeguards the organization legally but also strengthens ethical standards by honoring donors preferences.

CARE Humane society shows their strong commitment to donor intent by providing designated funds for specific purposes. When a donor chooses to contribute, they have various fund options on the CARE website, such as general operation funds or funds earmarked for specific projects. Patti Tole, CARE's administrator in charge of donor relations, is responsible

for ensuring that donations are allocated according to these specifications. When a new campaign or program is developed, CARE also creates a new donation link through DonorPerfect as a way to keep track of the newest development's support. For donations made through platforms like Venmo, CARE asks donors to specify their intended use. This allows Tole to track and allocate funds accurately. The shelter's practices reflect the workbook's recommendations for nonprofits to adopt a system that supports donor intent and verifies allocations (Aviv & Crompton, 2019). CARE's approach of having a dedicated administrator demonstrates its commitment to the principle that nonprofits should maintain a structured, clear process to guarantee that donor funds are used correctly. Tole also provides proof of each program's growth and support in her monthly reports to the board. By allowing donors to choose from specific fund options, CARE is both respecting donor intent and maintaining a straightforward, user-friendly donation process.

While CARE's current system shows strong alignment with the donor intent principles, implementing a formal Donor Intent Policy could further streamline this process. This policy might outline steps for tracking retracted funds, auditing allocations, and providing donors with annual or quarterly reports on how their donations were utilized. Additionally, such a policy would prepare CARE to handle complex or large-scale donations more efficiently. According to *The Principles Workbook*, nonprofits that clearly document and communicate fund allocations meet ethical standards and create a more engaging donor experience, encouraging repeat donations and long-term donor relationships.

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